THE Freeman

IDEAS ON LIBERTY

SEPTEMBER 1965

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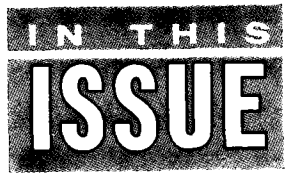

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SEPTEMBER 1965 Vol. 15, No. 9

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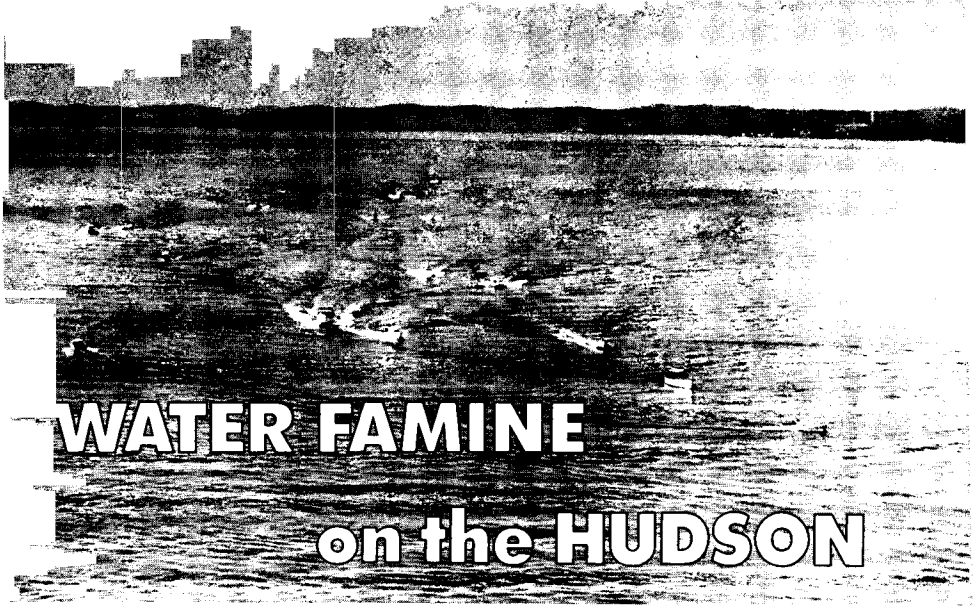

WATER FAMINE on the HUDSON

LEONARD E. READ

THOUSANDS upon thousands of kulaks starved to death during the 1930's on the richest farm lands of the Soviet Union. Down through the ages, countless millions, struggling unsuccessfully to keep bare life in wretched bodies, have died young in misery and squalor. Why were famines their lot? Why did men walk and carry burdens on their straining backs for sixty known centuries? And how did it happen that suddenly – almost miraculously – on a small part of the Earth's surface, the forces of nature are harnessed to do the bidding of the humblest citizen?

These questions are posed and answered in Weaver's *Mainspring*.[1] And the answer, he convincingly insists, is that man learned how to release creative human energy through such institutions as the private ownership and control of property and voluntary exchange under a market system of competitive pricing.

Today, in the metropolitan New York area, I am aware of no more plentiful resource than water – except air. The average annual precipitation, while presently down 20 or 25 per cent, has been about 40 inches; the enormous

Photograph: The Hudson from Tappan Zee Bridge. Daniel Berry, Irvington, N. Y.

[1] See *The Mainspring of Human Progress.* (Available in paperback from the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 95¢.)

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Hudson River bisects the area, one side of which has a great deal of marsh land; New York State abounds in fresh water lakes. And, it's only a hop, skip, and jump into the Atlantic Ocean! Why, then, are the twentieth century residents of this area faced with a water famine – that same problem of scarcity which plagued mankind for the centuries of recorded history? Why are restaurateurs not offering water on their dining tables? Why a fine if caught washing an automobile? Why must lawns dry up? Why are citizens asked to be parsimonious with toilet flushing? Why is the air conditioning shut down at Newark Airport? Why is there a flurry of free enterprise well digging? And entrepreneurs trucking in water for sale at $15.00 per thousand gallons?

The answer to these questions is suggested when we ask another question: Why are Gothamites and Jerseyites begged to go easy on water – by which they are virtually surrounded – while they are incessantly urged to use more electricity and other relatively scarce goods and services that are efficiently dispensed by market pricing?

Reflect on this hypothesis: the impending water famine is rooted in the same cause as the starvation and death of our Pilgrim Fathers during the first three years after landing at Plymouth Rock, the same cause that brought on the famines that punctuate the historical record: water is subjected to the political formula – *from each according to ability, to each according to need.* The remedy would appear to be the same as the only one that has ever overcome scarcity: *leave supplying of water and the determination of its use to private ownership and control, that is, to the market!*

The Idea Is Faulty

Before going further, let me hasten to the defense of the Water Commissioners, those in charge of the socialized water system. The famine is not in consequence of their administrative inabilities. Nor was it the incompetence of Governor Bradford or Stalin that accounted for the famines of their times. And it definitely was not the managerial ineptitude of a successful businessman, who, as Postmaster General for eight years, failed to slow down the rapidly increasing deficits of the socialized postal service. The question here is what's responsible, not who's to blame. Is it not the socialistic form of organization, rather than the person, that is chiefly responsible for the inferior performance? The personal fault, in every such case, is no more than

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an unawareness of the fact that *no one knows how to make socialism work.*[2]

In Case of Necessity

Most Americans, like their famine-threatened ancestors, are the victims of a sticky fallacy, a carryover from ages of political superstition: Any good or service on which there is a general dependence cannot be entrusted to the market; ownership and control must, therefore, be consigned to a public (political) agency. In other words, a critically needed good or service will be safely cared for only if socialized; necessities will be subjected to willful exploitation if left to the free market. No one, so goes the fallacy, should be allowed to profit from a public necessity!

Let me suggest that both good theory and practical experience dictate the precise opposite: *The greater the dependence on and the more general the need for any good or service, the more should we insist on leaving it to the market, and the more reluctantly should we entrust it to political agencies.*

Were it necessary to consign any goods and/or services to government ownership and control, I would, quite seriously, nominate such things as hoola hoops, juke boxes, ostrich feathers – where a famine would inflict no great injury on anyone. This must be the position of any individual who understands the nature and the limited usefulness of organized police power, on the one hand, and, on the other, the creative potentialities of the miraculous market – men cooperating in willing exchange.

But note the prevalence of popular opinion to the contrary. The dictionary defines a utility as "something useful to the public, especially the service of electric power, gas, water, telephone, etc." We might appropriately add railroads, airlines, mail delivery, and sewage disposal. It is these goods and services – prime necessities and not frills – that most people insist on turning over to government or, more to the point, that politicians insist be turned over to *them*!

In the United States, water supply is, for all practical purposes, a

[2] Critics may claim that Los Angeles, for instance, knows how to make socialism work. Reports the *N. Y. Times* (7-6-65), "Los Angeles's antidrought formula, worked out more than a half-century ago, goes like this: Plan ahead at least a generation. Reach out as much as 700 miles for a water supply. Spend billions of dollars. Engage in intensive politicking, on both state and national levels. If somebody gets in the way, don't be afraid to shoot it out with guns." The socialistic formula from beginning to end is founded on coercion. Can this be said to work? If so, then robbery works.

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monopoly of government, as are sewage disposal and mail delivery. Private utilities, all of them, are being subjected to increasing government control which, when finalized, is ownership.

Let us now ask ourselves, how many different goods and services are produced in this country and available to consumers? No one knows; but, assuredly, it's in the millions; one company alone produces about 250,000 separate items. These millions of artifacts and services – all but a few – have been left to relatively free markets. Please note that only those items consigned to government – for presumed reasons of "public safety"– give us any concern at all: water, sewage, mail delivery, education, roads! Or those goods and services where government strongly intervenes: wheat, cotton, housing, and the like.[3] Items left to the free market – clothing, churches, corn flakes, electric computers, pencils, publications, heat, automobiles, and all the others – are rarely given a second thought; supply and demand always move toward equilibrium. The evidence favoring the free market is so abundant that it is seldom noticed. Paradoxically, the demonstrations are too numerous to attract attention. Like the air we breathe, and on which we are dependent, their omnipresence dulls our perception of them. If we wonder how efficiently water would be supplied by the market – without serious problems of surplus or famine – we need do no more than extrapolate from our countless experiences with free market goods and services.

Theory, also, gives the same answer. If we know the theory of the market economy, then we will understand why socialism does not and cannot work.

Absence of Realistic Pricing

One cause of the current water famine is the absence of realistic pricing. Many residents of New York City, for instance, pay only a monthly rate per water connection. Waste and large usage bear the same monthly charge as frugal and minor usage. But, then, realistic pricing is impossible under socialism, as Professor Ludwig von Mises so clearly demonstrates.[4] Instead of free-market pricing, socialistic systems must

[3] There is no good or service in the U.S.A. today that is free from intervention. But if the intervention is not too powerful, the free market forces tend, markedly, to overcome the political hindrances.

[4] For an explanation as to why economic calculation under socialism is out of the question, see Chapter XXVI, *Human Action*, by Ludwig von Mises. (Obtainable from the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York. 907 pp. $15.00)

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resort to "dollar guessing." In short, the socialists can do no better for economic guidance than to peek over their left shoulders and see what free market prices are.[5] The problem with water is, of course, that there is scarcely any market pricing left to be observed.

The free market operates as a computer.[6] Billions of complex data flow into it daily and signals issue in the form of prices. No more proficiency is required of anyone than the ability to observe prices. High prices caution lower consumption and stimulate higher production, and low prices encourage consumption and discourage production. Were the provisioning of water left to the market, prices would rise whenever the heavens withhold their bounty from any given area. Consumers by the millions would voluntarily impose their own economies – no government edicts required! And suppliers would spontaneously spring from we know not where. Shortages and surpluses do not plague the free market where supply and demand equate; distortions are caused by political attempts at production, exchange, and price controls.

Under socialism, the Commissioners must make guesstimates from intricate data they cannot comprehend. Even the best of them have no competency for this. In the free market, the freely fluctuating market prices serve as clear-cut guides to producers and consumers alike. All producers and consumers – even children – are competent to observe and obey these price signals.

Allocating Scarce Resources

In most areas of the world today, pure, fresh water is an economic good, that is, there isn't enough of it to meet all demands, and users must pay for it. Water is scarce, and economics is the study of how best to allocate scarce resources. Let's suppose, for example, that by reason of training, research, discoveries, skills, I am suddenly the one man on earth who can cure cancer. Untold thousands are destined to suffer this dread disease during the coming year; but my treatment is such that I can attend to no more than one patient per month, or twelve a year. How best can this exceedingly scarce resource of mine be allocated? Knowing of the miraculous market and the way it works to alleviate poverty, disease, distress, I would try to price my

[5] Aleksy Wakar and Janusz Zielinski, leading professors of The Central Planning School of Poland, astonishingly for socialists, frankly admit this allegation. See *The American Economic Review*, March, 1963.

[6] See my "The Market Is a Computer." *The Freeman*, March, 1964.

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services sufficiently high to balance supply (my scarce resource) and demand (the need of untold thousands). The price, let us say, reaches equilibrium at $100,000! "But," cry those who don't understand economic phenomena, "your way will save only the very wealthy."

What really will happen? Within a very short time, thousands of doctors will be stimulated, not only by their desire to save lives *but by the high price*, to attain my proficiency. The price for the cure of cancer will soon fall to the point where all of the untold thousands can be accommodated. Supporting evidence is superabundant. Ball point pens, for example, were first priced at $13.95. The spread between low cost and high price drew countless competitors into the field. Today, they're give-aways.

Political Rationing

The socialistic alternative? Put a political ceiling on the price, low enough to be within the reach of all consumers. Such a low price, however, will not serve to enlarge supply. I could still save twelve lives a year, *but that would be it*! So, how will my limited service be allocated among the untold thousands? I can resort to personal discrimination or a public committee can decide who shall and shall not be saved.[7] Or the government may take from thousands of Peters to save Paul which, of course, disables thousands of Peters.

The fact that prices do fluctuate and serve as a guide to action in a free market – even though this motivation brings supply and demand into a state of equilibrium – causes many persons to reject the market method. They seem to feel that enlightened human beings – which they conceive themselves to be – should be less crassly motivated; that "human need," rather than price or dollar inducement, should provide the incentive for action and conduct.[8] Self-interest (attention to self-aspiration and self-direction) which I frankly acknowledge is the motivating force in free market miracles, is frowned upon by them as beneath human dignity. Thus, if we would know why socialism does not and cannot work or, to the point, how scarcity can exist amidst plenty – of water or any other commodity

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[7] For an enlightening commentary on this point, as related to artificial kidneys, see "Who Is Worth Saving?" *Newsweek*, June 11, 1962.

[8] The cure of cancer is an *economic* service as water is an *economic* good. Free, unrigged pricing – not need – is the *economic* means of allocating these scarce resources. To substitute need for pricing is to confuse the categories; it is as senseless as to substitute need for thrift as a means of capital formation.

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– we must pause and reflect on the nature of self-interest.

Self-Interest Examined

Self-interest, here used interchangeably with self-aspiration, is as varied as are individual aspirations and goals.

Contrary to a great deal of current opinion, self-interest is as prevalent among "enlightened" human beings as it was in cave men. It exists no more or less in men who resort to thievery as a labor-saving device than in "humanitarians." Self-interest can no more be shed by a living individual than can thirst or appetite; it is an undetachable component of the psyche; self-interest is a built-in feature of each breathing soul on this earth. The denial of this, in my judgment, is self-delusion. There's only one person in John Smith's driver's seat, and that is John himself!

In order not to be led astray on this point, we must first concede that self-interest, as the term is used here, is not in the moral category – any more than are the senses; it is neither good nor bad, in itself. Self-interest is companion to self-determining, self-controlling, self-responsible individualism. *No "selfless" person exists nor is one conceivable*! While self-interest does not imply a solicitude for others, neither does enlightened self-interest necessarily preclude such concern. The "humanitarians," who have corrupted this conceptual term, would have us believe otherwise.

The observable differences in "social conscience" or morality are not to be explained by the presence or the absence of self-interest, but, rather, by the different ways individuals interpret their interests. Differences in individual solicitude for others, and in other moral qualities, originate at the point of interpretation. Are the interpretations intelligent or unenlightened? That's the question.

I repeat, individual interpretations of self-interest vary as greatly as do individual aspirations; no two are identical. But only I can interpret mine; only you yours. As unenlightened as yours and mine may be, our own interpretations will be more intelligent than those made for us by another. Other-interpretation must, of necessity, be hopelessly unintelligent, as much so as if another tried to smell or taste or feel for us. *Others may hold the light high that we may better see,* but the interpretation itself originates with self; it cannot be otherwise.

I, a free market devotee, believe my self-interest is best served when other millions of people are free from me to pursue their own

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aspirations as they please so long as their pursuits are creative; that is, so long as each respects the similar rights of others.

The socialist, on the other hand, believes his self-interest is best served when other millions of people are not free from *his* interpretation of *their* interests. I insist that he assumes a capability for correctly interpreting the interests of others which he does not possess in the slightest degree.

Personal Creativity Depends on Pursuit of One's Own Choice

Self-interest, a prime concern for things closest to home, is a universal human characteristic, and is, perhaps, the greatest of all motivating forces. It stands to reason – indeed, is self-evident – that each of us will put forth his best effort on matters of deepest and most immediate concern to him. And this is the basic premise concerning human nature upon which the entire theory and practice of the market economy rests.[9] Socialism presumes otherwise: that our respective abilities should be directed according to the interests (needs) of others; and the typical result is a water famine on both sides of the Hudson!

For example, there come to mind a man, wife, and grown daughter who have a hostelry and real estate development under way in western Washington. Their interest in the success of this project (including a private water system) coincides precisely with their own self-interests. They love it, live it, talk it, dream it, work it. The creativities of their very beings are finding free release, and it is a joy to observe the results of their efforts. Beavers could take lessons from them! That the project will be a success, I have no doubt; that many others will benefit from their completed handiwork is beyond question. But, we must ever keep in mind, it's the free market form of organization, not entirely the person, that is responsible for the superior performance.

Now, suppose we were to divert this competent threesome from their self-interests into a situation where only other-interest is at stake: organize them into a Triumvirate charged with the operation of New York's socialistic water system. They'll be no more to blame nor do any better than the present administration, should nature fail to confer bounteous precipitation. The results of socialistic practice cannot be otherwise.

[9] For readings in depth on reasoning from self-evident assumptions, see "Some Preliminary Observations Concerning Praxeology" in *The Ultimate Foundation of Economic Science* by Ludwig von Mises. pp. 1-9. (Obtainable from the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York. $4.50.)

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Why Socialism Fails

There are many reasons, but chief among them is the fact that creative actions and thoughts are bereft of self-interest motivation under socialism. The requirements of the socialized project and the fulfillment of self-interest go in different directions; *the problem and the would-be problem-solver are on different wave lengths!* Both empirical evidence and sound theory support this conclusion.

True, not everyone finds fulfillment – a free release of creative energies – in a free market society. But this is the individual's rather than the free market's fault; for the opportunity for such release is wide open and many millions do, indeed, enjoy creative expression. In socialism, it is demonstrable that the administrators are endowed with authoritarian, not true creative, expression. Again, it is self-evident that creativity will be more abundant where millions of people find creative fulfillment than in politically rigged situations that negate individual initiative and creativity.

As suggested above, there is no self-interest motivation under socialism; there is no driving force for efficiency, beyond the more or less unattractive emoluments of political office. The discipline of profit and loss is nonexistent; taxpayers are obliged to pick up the tab. Nor does the failure of a project reflect fully on the administrator, for there are no competitive forces to rid the economy of his failures. Maintaining position depends more on excuses than efficiency.

For what other reason does a 20 or 25 per cent decline in local precipitation bring the threat of a water famine? It seems that the self-interest of administrators of socialistic systems does not adequately force their attention on future contingencies. But examine private power and light companies in the U.S.A. Their administrations are looking years ahead as to any possible failure in fuel supply. If they are presently using coal or gas or oil or hydro or atomic power, they have plans for substitution. Their self-interest puts a a premium on not getting "caught short."[10] If, contrary to present trends, the government doesn't take over these private companies, we can count on it, they'll continue to urge American consumers to use more power and light in the future.

As I approach the end of my argument, I confess the unlikelihood that water will be left to the

[10] Most electric utilities use large quantities of fresh water. Engineers of one of the nation's largest producers estimate that desalination of sea water can now be achieved at a cost of not more than 30¢ per thousand gallons.

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market in the foreseeable future. As no one knows how to make socialism work, neither does one know how to let go of it once it has taken root in the economy. And the rooting, emanating from the federal, state, and local governments, is unbelievably deep! The best we can do, in these distressing circumstances, is to repeat, over and over again, the case for the market economy, improving our understanding and exposition on each occasion, hoping that sooner or later enough persons will share our faith in freedom to bring on one more miracle, in this instance, dispelling the threat of water famine. If it ever comes to pass, it will likely be because of a cessation of taxpayer subsidy to such projects and the removal of restrictions to private entry into the business. This, admittedly, requires a revolution in thinking – and on an enormous scale.

There is one mental block we must scrupulously avoid: Do not reject the idea of nonsocialized water supply because you or I cannot envision how the market would supply water. We do not know; no one knows![11] I lay no claims to clairvoyance and, thus, can no more foresee how the market would attend to fresh water delivery than Adam Smith could have foreseen how the human voice could be delivered around this earth at the speed of light or than George Washington could have predicted how the market would overcome scarcity – removing distress and poverty on an unimaginable scale.

We can entertain but one certainty: The market, if not chained down and aborted by restrictions, will dispose of water famine as it has other famines.

The free market releases creative human energy; this is its justification. A by-product is the riddance of famines: this is its godsend! ◈

[11] See the chapter, "I Don't Know" in my *The Free Market and Its Enemy.* (Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. $1.00 paper; $1.75 cloth.)

IDEAS ON LIBERTY

Intervention

OF ALL THINGS, an indiscreet tampering with the trade of provisions is the most dangerous, and it is always worst in the time when men are most disposed to it—that is, in the time of scarcity.

EDMUND BURKE, *Thoughts and Details on Scarcity* (1795)

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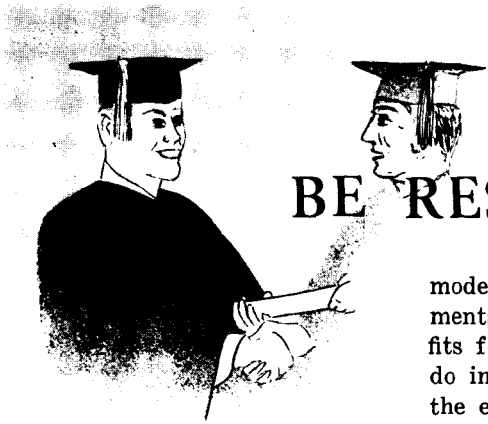
ALEXANDER S. CARNEY



BE RESPONSIBLE

YOU are the product of your past. You are also the creator of your future. Now stop and think what this means in terms of individual responsibility. It is a concept of crucial importance, perhaps more important today than in any other time in history.

Why is this so? Because today, the operation of many of society's most important institutions have had the effect of relieving us of individual responsibility. Government has increasingly assumed our burdens – welfare, compulsory social security, compulsory health insurance – all intended, we are told, to divide more equitably the benefits of a productive, modern society. While governments do provide material benefits for some, these interventions do in fact release all of us from the exercise of choice and of individual responsibility. Automation with its demands for greater efficiency has reduced man's control over the extent and conduct of his work. Productivity has soared. Yet the exercise of responsibility is frustrated. Modern conveniences have had a profound influence on modern living – more comfort yet less responsibility.

I do not wish to sound old-fashioned, or appear as one opposed to modern practices, but I am pointing out that many essential aspects of our society which we consider modern and progressive do in fact reduce the sphere of individual responsibility. This is quite surprising to me, especially since in no other time in history has the clamor for freedom been so intense. Authors demand more freedom of expression. Censorship is banned by the courts; the distinction between artistry and por-

Mr. Carney, now in his fourth year of medical training, delivered this 1965 Commencement address at the Irvington (New York) High School from which he was graduated in 1958.

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nography vanishes. Absolute standards of right and wrong are being replaced by moral relativism. Permissiveness in the raising of children is in vogue. Parents are more concerned with "getting along" with their children than they are with providing leadership and direction. Authority is questioned and challenged, often in the form of illegal demonstrations. These are but a few examples of the general climate of restlessness – the urge to break the shackles of tradition – to forge a society in which our innermost needs and feelings may be expressed and satisfied. It is an interesting paradox, then, that whereas freedom has become an obsession in some areas, we are relatively unconcerned about it in other areas, although admittedly in the latter, the manner in which our freedom is curtailed is far more subtle.

How has this climate of change come about? Perhaps it is because of the high standard of living we have achieved. We are no longer pre-occupied with mere survival; we are concerned rather with the quality of survival. Perhaps it is because of the incredible advances attained by science and technology. Man has always sought utopia. He now sees it within his grasp. Perhaps this climate of change is the result of growing urbanization. In migrating to the cities we are separated from the traditional ways of life fostered by our ancestors. Having broken traditional ties, we are no longer convinced of their wisdom. More and more we employ reason and the scientific method to create and sustain a system of values. This is breeding a kind of "test tube morality." Unless the value in question is proven to us in objective, black-and-white terms, we are not apt to believe in it. Probably no one of these factors explains the changes we are witnessing today. More likely, they are the result of a combination of these and other factors, not affecting each individual equally, but nonetheless exerting their influence on the population as a whole.

Man Modifies His Environment

It is in this context of social and cultural change that individual responsibility assumes its greatest importance. You are the maker of your environment. I refer not only to your external or physical environment, but to your internal environment of thoughts and feelings. Of course, environment leaves its mark on you. Modern theories of psychology tell us this – but perhaps with too much emphasis. I conceive of man as the master of his own thoughts, over which environment exerts

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varying degrees of influence. Some individuals are complete and abject servants of their environment, kicked around by every quirk of fate. Others have stood firm, failed to yield, and even changed environment suitable to their needs.

Environment is changing – at a pace frightening, and yet exciting, to comprehend. Yet it is always within control, providing we as individuals are prepared and willing to accept the responsibility.

How can we prepare ourselves to accept this responsibility? First, we must regard responsibility and the exercise thereof as essential to the growth and development of the personality. Just as food is required for the body, so is responsibility required for the personality. Wouldn't it be uplifting if we would react as strongly to lack of responsibility as we do to lack of food?

But the mere realization of the importance of individual responsibility is insufficient. We must in fact *be* responsible. We must transform our thoughts into action. You have all heard the adage: "Nothing succeeds like success." It is also true that nothing weakens like weakness. The continual shying away from responsibility weakens the personality. Weakness leads to discouragement and discouragement leads to further neglect of responsibility. This vicious cycle, thus set up, can be interrupted only by people showing courage and determination. They will find that just as the vicious cycle of weakness works against them, the self-generation of strength will work for them.

The *sine qua non* of individual responsibility is discipline. Discipline—the idea that practice makes perfect; the idea that football games are won rarely on Saturday, but in the practice sessions throughout the week; the idea that good habits make good men. With discipline, you will learn good judgment. You will learn to resist the distraction of irrelevancies. How crucial is this ability in our society today!

Responsibility toward Others

Finally, it must not be assumed that this concept of individual responsibility will breed exaggerated self-concern and thus selfishness. Quite to the contrary, the individual who is responsible to himself is more often responsible to others. And more than that, this same individual has more likely developed the skills required to contribute more fully to another person's happiness. I stated at the outset that you are the creator of your future; but you are also the creator of the future of others. In

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this context society demands that you act responsibly.

If there be one point that I would have you remember tonight, it is simply that society is only as good as the individuals who live within it. As each individual is strong, so is society. When each individual is willing to give up his freedom, so will society be eager to take it away.

Above all else, we must not take our society for granted. Each of us owes our freedom and prosperity to the courage, the good judgments, and the devotion of our predecessors. Will we continue in the same tradition? One cannot predict. However, we can be certain that in the final analysis, the praise, or blame, will rest with the individual. ◈

IDEAS ON LIBERTY

First Step to Progress

ONE of the strange quirks in human nature is the alacrity with which we pounce on any shortcoming in our government, our economic system, our employer, our grocer, and our garage man, in contrast to the tolerance with which we view our personal follies.

All of us are beset with limitations. The first essential for progress is to recognize our weaknesses and take pains to overcome them. When we have done this, we are fit for civilized society.

Once a man has taken a sober look at himself, and has made an honest report, he has moved forward. His next step should be to make himself as useful as he can. Let him give his job, his employer, and his community a square deal by close application to his little task. Soon he will find that larger tasks are passed to his desk, and that tangible appreciation of his effort is finding its way into his pay envelope.

WILLIAM FEATHER, *The William Feather Magazine*, June, 1965

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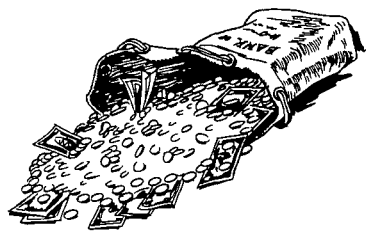
CURRENCY REFORM



HANS F. SENNHOLZ

OUR INFLATION predilection, which manifests itself in chronic Federal deficits and credit expansion through the banking system, breeds numerous effects at home and abroad. At home, prices are rising continuously in spite of the growing productive capacity of American industry and its great technological achievements. These effects in turn breed sociological and political effects that tend to shape the course of our history.

The most spectacular effect of monetary depreciation, however, is the gold and foreign exchange dilemma. It is an effect that, before the days of the New Deal, also made its domestic appearance in the shape of gold and bank runs. When commercial banks had overextended their credit in periods of business boom and expansion, and depositors became doubtful of the liquidity or solvency of their banks, they began to withdraw their demand deposits and converted their bank notes into gold. The overextended banks dreaded this moment when only banking "holidays" could save them. Severe credit contractions usually followed, leading to periods of business depression. President Roosevelt's nationalization of all gold holdings in 1933, which "temporarily" deprived American people of the freedom to hold gold, made further gold runs futile and meaningless. Why should anyone today run to the bank for his deposits if he can only demand paper money of which there is an abundance?

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Gold as Medium of Exchange

In international affairs, however, gold continues to be the ultimate medium of exchange. While the U.S. government can force its citizens to accept U.S. dollars in settlement of all legal debts, it is hardly conceivable that the Brazilian government could force citizens of the United States to deal in Brazilian cruzeiros. In our trans-

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actions with Brazilians, whether in the form of current trade or long-term capital loans, we insist on payment in gold or dollars. We refuse acceptance of Brazilian cruzeiros that are depreciating at a rapid rate. The same is true with foreigners. The U.S. government is in no position to force paper dollars on reluctant foreigners. To make payment to them, we have to satisfy them as to the quality and quantity of the medium of exchange. True, as long as they readily accept our dollars, we may use them in exchange. But if they should prefer gold, or Swiss francs, or German marks, we have no way to compel their use of our paper money.

In times when men distrust the future of paper money, gold itself rises in value as measured not only against paper money but also against goods. Men turn to gold as the one sure thing that will survive the wreck of paper currencies and the changing policies of government. They seek to protect themselves by hiding their wealth instead of using it courageously in production as they do in a world of reasonable financial certainties.

Since the mid-1950's the United States has been in a position similar to that of the overextended commercial bank before 1933. Piling deficit upon deficit, and continuing to announce huge spending programs, increases the danger of an international gold run. If foreign central banks were suddenly to demand gold for their dollars, they could topple the money and credit structure of the United States.

This precarious monetary situation gives rise to numerous proposals for monetary reform. They range from a return to sound money and the unadulterated gold standard, as it existed at times during the nineteenth century, to proposals for foreign exchange control and gold payments suspension.

Dollar Devaluation

One possibility would be to devalue the dollar, as was done in 1934; that is, cut the gold content of the monetary unit or, expressed in the currencies of other countries, reduce the number of foreign units which can be had for one dollar. The devaluation would reduce the burden of the U.S. government debt at home and abroad. In particular, it would reduce the claims on gold of 30 billion dollars now held by foreigners. A 50 per cent devaluation, for instance, would enable the U.S. Treasury to discharge its foreign liabilities with payment of half the quantity of gold it has contracted to pay.

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But the champions of dollar devaluation frequently overlook that Americans are net creditors to the rest of the world in spite of the currency liabilities of the U.S. government. Dollar devaluation, therefore, means that, on net balance, we make a gift to our foreign debtors who can discharge their liabilities in dollars of lower gold content. They also overlook the fact that the U.S. dollar is the leading world reserve currency that sets the pace for most other national currencies. If our government devalues the dollar, we must anticipate immediate imitation on the part of most free world governments. It is unlikely that the United States can devalue its currency while the other countries abstain from doing so. But if the other countries devalue in the same proportion, no trade advantage can be derived from such a devaluation. Our deficits in foreign payments would continue.

Payment Suspension

Instead of outright devaluation, an alternative might be attempted in the form of gold payment suspension by the United States. In this case, all other free world countries would have no choice but to follow suit. Even Switzerland, the free world's banker, would have to follow the U.S. example because a sudden decline of the U.S. dollar in the international money market would invite withdrawal of large funds from Swiss banks. The American depositors, for instance, who in the past made Swiss franc deposits, would find it more profitable to withdraw their funds, reconvert them into U.S. dollars which then would be selling at large discounts, and return those dollars to the United States. And even countries that lack American deposits would have to follow the U.S. gold payment suspension because of its severe impact in foreign trade relations.

A world-wide suspension of gold payment also could initiate in London, for the British pound sterling is even weaker than the U.S. dollar and subject to even greater pressures of devaluation and suspension. As Switzerland would have to follow our payment suspension, so would the United States probably have to follow suit in the case of pound sterling decline. Foreign investors with dollar deposits in American banks would find it rather profitable to quickly withdraw their funds and convert them into pounds sterling selling at a devaluation discount. Furthermore, a pound sterling devaluation would mean instant reduction in the gold and dollar price of English goods, which would invite more American purchases and discourage American

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sales to England. Our balance of payments would worsen and our currency situation deteriorate further. This is why a pound sterling devaluation or gold payment suspension would put the U.S. dollar to a gruesome test.

A series of gold payment suspensions, however, would afford no real solution to currency problems. The weak currencies, no longer payable in gold, might decline considerably, while the sound currencies, although also irredeemable, would tend to resist the decline. In the end, all currencies no longer backed by gold would soon find international exchange ratios in accordance with their domestic purchasing powers.

But this is not all. If the United States should suspend gold payments, 30 billion dollars now held abroad, plus an unknown quantity of unrecorded holdings abroad, could be expected to come home to roost. While foreign dollar holders could no longer buy gold from us, they could buy American goods and services. Thus, we might anticipate a great export boom, the monetary manifestation of which would be the return of many billions of U.S. dollars to our shores. This would provide the fuel for a rapid increase in domestic prices, which makes the precarious gold situation a grave concern for every American. When and if foreign holders of U.S. currency begin to exchange their money for goods and services, many millions of Americans might be expected to imitate the foreigners and try in turn to exchange their cash for goods and services.

Exchange Control

A third possible manifestation of the monetary crisis would be foreign exchange control. Such control already may be seen in the shape of "voluntary" restrictions on bank lending abroad. Mandatory controls over capital transactions as well as all foreign trade could follow. American tourists might be restrained from traveling abroad. Refusal to allocate gold or foreign money could prevent certain imports of manufactured goods and raw materials; and private foreign investments might be curtailed on account of the "scarcity" of media of foreign exchange. The net result of such a series of restrictions would be comprehensive government control over all foreign transactions and dealings, which is tantamount to "nationalization." If one country adopts such measures, foreign governments will do the same and thus contribute to the gradual destruction of world trade and world division of labor.

It is obvious that foreign ex-

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change control would have greatest significance for industries that largely depend on imports. We may derive consolation from the fact that American foreign trade amounts to only 10 per cent of all our trade, and that this nationalization through foreign exchange control will affect only that portion. But another 10 per cent on top of the present government regulation and control would further deplete the remnant of our individual enterprise system.

A New Plan

In addition to the foregoing possibilities, there is a new proposal according to which the United States, by unilateral action, is to transform the world monetary system. Its author is Stanford University economist, Emile Despres, who also serves as an advisor to the government on international financial questions.

According to the Despres Plan, the dollar is inherently far more valuable than gold, for it is the most popular international medium of exchange. The plan is based on the recognition that the last three presidents have pledged to continue to sell gold at $35 an ounce. But according to Despres, while the selling policy is a matter of national honor, the buying policy may be changed. With special exceptions for Great Britain and less developed countries, the United States in the future would pay dollars for only one-third of any nation's gold holdings as they existed before the change in policy was announced. Mr. Despres assumes that such a U.S. policy would immediately cause the gold price to plummet, and would culminate in the dethronement of gold and its replacement by the U.S. dollar.

It is true, of course, that the U.S. dollar is the mainstay of the official currency reserves for scores of countries. Foreign governments use dollars in foreign exchange markets to support their own currencies when necessary. The dollar is being used in settlement of all kinds of payments. It also is true that the gold purchase policies of the U.S. government have greatly affected the value of gold. During the 1920's and 1930's, for instance, when the United States accumulated a large share of the total world supply, this governmental action afforded value and stability to gold. On the other hand, U.S. governmental action greatly depressed the world market value of gold through the 1933 prohibition of all private gold holdings. This makes it impossible to surmise what the free market price of gold would be if people were free to buy and hold gold and if the governments and

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central banks would refrain from hoarding it in their vaults.

But how can the U.S. government possibly declare certain foreign gold holdings ineligible for purchases in the United States?

How can the U.S. government prevent Switzerland, for instance, from using its gold for purchases from various countries other than the U.S.? Could it not trade its gold with Great Britain or the underdeveloped countries, whose gold, according to the Despres Plan, will continue to be eligible for purchases in the U.S.? How can the U.S. government police the gold trade and movements all over the world? Beyond all this, when men distrust the future of paper money, including the paper dollar, gold itself rises in value as measured not only against paper money but also against goods. Men turn to gold as the one thing that may survive the wreck of paper currencies and the changing policies of government.

The enthronement of the U.S. dollar as currency king appears to be but another desperate scheme of inflationists who are disturbed by men's confidence in gold rather than paper money. From the beginning of inflation some 2,500 years ago, governments have waged war on gold. Yet gold has survived as a medium of exchange throughout these millennia. ◈

IDEAS ON LIBERTY

Monetary Crisis

NOBODY traded [France in 1796] except for metallic money. The specie, which people had believed hoarded or exported abroad, found its way back into circulation. That which had been hidden reappeared; that which had left France returned. The southern provinces were full of piasters, which came from Spain, drawn from across the border by the need for them. Gold and silver, like all commodities, go wherever demand calls them; only their price is higher, it is held at that point which attracts sufficient quantity to satisfy the need. People were still exposed to some cheating by payments in mandats, because the laws, giving legal tender value to paper money, permitted people to use it for the satisfaction of written liabilities; but few dared to do so; and with regard to all agreements, they were kept in metallic money. In every market one saw only gold or silver; the workers were paid in this manner only. One would have thought there was no longer any paper in France. The mandats were then found only in the hands of speculators, who received them from the government and re-sold them to those who bought the national lands. In this manner the financial crisis, although still existing for the state, had all but ended for private persons.

As translated from THIERS' *History of the French Revolution*, 7th edition (Brussels, 1838)

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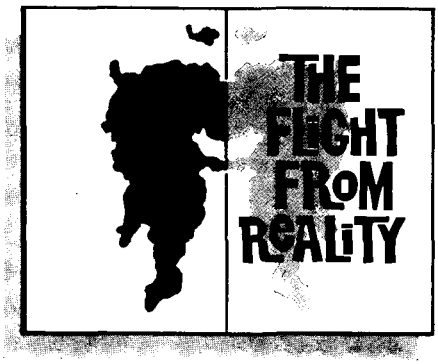

12. The Democratic Illusion

CLARENCE B. CARSON

CUSTOMS do change. It was once the custom for children to read and be told fairy stories, fables, legends, and myths. Young children were taught to believe in Santa Claus (and, in this case, still are), told of the legend of Robin Hood, read stories of fairies who performed work for adults, and led to believe that there was a pot of gold at the end of each rainbow. Generally speaking, such fables are no longer approved by the "experts" on child rearing. The stories have been taken out of the textbooks in the early years of schooling. Parents have been warned against filling their children's minds with illusions. According to the new dispensation, children were to be taught the facts of life from the beginning, and that as prosaically and clinically as possible.

Whatever else might be said for or against this newer viewpoint, it did have a seductive logic about it. Children who had not been provided with illusions would not have to be disillusioned. They should have a progressively firmer grasp upon reality as they grew up, and, as adults, be truly realistic. It has not worked out that way. Today, adults are told fairy stories, fables, legends, and myths, and a large number of them apparently believe them. Many men apparently believe that government is a kind of Santa Claus who can bestow goods for which there is no charge, that in a democracy people may legitimately play

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Robin Hood by taking from the rich to give to the poor, that we have solved the problems of production and that the good fairies will continue to produce goods when the incentives to production have been removed, and that there is a pot of gold at the end of the rainbow which the politician describes if we will only follow his policies.

There is much more to current illusions, of course, than improper rearing of children, but the question that the above development raises should not be left suspended. The wisdom that is bound up in established customs cannot always be perceived by the naked eye. On the contrary, what may appear illogical upon first examination may have reasons that stem not from abstract logic but from the way people are. Men are given to illusions, probably always have been and will be.

Supplying children with illusions in felicitous stories and myths may have the effect of an innoculation against illusion (following the principle of innoculation of inducing the disease in a mild form). As the child grows up, he sheds the illusions one by one, or in bunches. The legends, stories, and myths may provide him invaluable points of reference for the discernment of reality. He knows, from them, what sort of things belong to the real world and what sort to illusion. Those who do not have some embodied illusions as points of reference may have much greater difficulty in separating illusion from reality, or, to put it another way, may succumb much more readily to the illusory.

At any rate, illusions abound in the twentieth century. They are usually decked out in more sophisticated garb than the above examples would indicate. Men are drawn along on the journey toward the pot of gold at the end of the rainbow by phrases such as "creating a democratic society," "adjustment of monetary supply to demographic tendencies," "transforming the environment to meet human needs," "an equitable distribution of the wealth," "mutual cooperation for the advancement of the general welfare," "increasing the purchasing power of the underprivileged," "rectifying maladjustment induced by technological innovations," "preventing the stagnation of the economy," and "balancing expenditures between the public and private sector." The language is new – out of euphemism by sociology, midwifed by would-be bureaucratic intellectuals – but the illusions are as old as the daydreams of improvident men.

Let us examine one of the cur-

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rent illusions in somewhat more detail, show why it is an illusion, and use the example as a way of reviewing the story of the flight from reality thus far. An illusion which appears to be gaining ground steadily in the United States is that poverty can be abolished. Already, war has been declared upon it, and we are led to expect that the demise of poverty will occur in the not too distant future.

The Problem of Production

From one point of view, the abolition of poverty can be made to appear quite plausible, in this country at least. The argument for it goes something like this: The problem of production has now been solved. America now produces enough goods, or has the means for doing so, so that no one need suffer privation. To support such a contention, evidence can be adduced of the glut of goods now available despite the fact that some factories are not producing at their full capacities. Let us assume that the description is accurate, that there is a glut of goods and the capacity – potential or actual – for producing abundance that will abolish poverty. Even so, the conclusion does not follow.

The fundamental fallacy is in the major premise – that the problem of production has been solved. It has only been solved if the matter is viewed as being static. That is, it has only been solved for today and a few more days, after which it will emerge once more if something is not done. Redistributionist schemes derive such plausibility as they have by abstracting a static picture from the situation as it momentarily exists. It becomes apparent when an actual redistribution is undertaken that the problem of production has not been solved.

Planners will shortly learn, if they did not already know or suspect it, that poverty stems not primarily from unfair distribution but from the unwise choices which men make. The main reasons for poverty, other things being equal, are improvidence, laziness, lack of foresight, slovenliness, the use of capital for consumer goods or goodies, and physical or mental debility. (Of course, governments can and do intervene in ways to contribute to the poverty of individuals.) Most poverty, then, can be attributed to the choices, or failures to choose, which men make. To put it another way, poverty results from the uses men make of their liberty.

There is reason to believe that this has long been apparent to social reformers, for their programs

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regularly result in the reduction of the choices which men have available to them. To state it bluntly, the attempt to abolish poverty is made by taking away the liberty of people. This can be done crudely or with considerable subtlety. When it has been done crudely, Western Europeans and Americans have usually been horrified at it. Thus, Communist measures have repulsed most Westerners rather than attracted them. In the West, then, the removal of liberty has been advanced much more subtly, and the programs for abolishing poverty, or what-not, have been mild initially. The removal of choices takes such forms as increased taxation, inflation, and governmental controls.

Intervention Breeds Poverty

But even when choice has been removed, poverty will not be banished. Prosperity, even more than poverty, is the result of innumerable choices of individuals – of decisions, of individual initiative, of saving, of prudent investment, of invention, and so on. When liberty prevails generally, a great many people may contribute to their own and to the prosperity of others. As liberty is reduced, they lose the means, the opportunity, and the incentive for innovation, invention, discovery, and increased productivity. In consequence, poverty is extended to more and more people rather than being abolished.

This is not simply a matter of speculation; there are a goodly number of historical examples for those who prefer experimental evidence. The Russian Bolshevik innovations caused poverty on a titanic scale in the 1920's and 1930's. The programs of the British Labor Party after World War II came near to completely wrecking what still remained of an English economy after decades of increasing intervention. Reports from Communist China indicate that collectivization has wrought devastation in places there. But one need not go so far afield for evidence. Ninety miles from the shores of the United States the scene has been enacted almost before our eyes. The Pearl of the Antilles, once a fertile paradise of productivity, has been transformed in short order into a land of hunger and shortages. There are many other examples throughout history of the failure of men to produce when they are denied the fruits of their labor – at Jamestown, at Plymouth, at New Harmony, and so on.

In the final analysis, poverty cannot be abolished because, when men are tolerably free, it is an individual and family matter. It is a result of their habits, customs, indiscipline, and themselves

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as they are. Any collective approach to the abolition of poverty, as if it were a thing itself, can only temporarily alleviate the condition of some people, if it can do that, at the expense of a general impoverishment. The ultimate importance of liberty does not derive from the fact that free men will produce more bread, but they will, if that is what they want.

Gaining Respectability

The above principles were generally well known among nineteenth century Americans, and among people elsewhere, too. Men who proposed to abolish poverty were considered laughable or dangerous, or both. It is no longer so. The series thus far has dealt with how the way was prepared for contemporary illusions, with how thinkers were cut loose from reality by focusing upon the abstract and ephemeral, with how utopian ideas were spread, with how past experience was defamed and traditional philosophy discredited, with how some thinkers began to conceive of themselves as creators, with how the programs for social transformation were made more palatable by the domestication of them. By the early twentieth century reformist intellectuals were beginning to draw publicists and politicians into the web of their delusion. A considerable number of Americans began to accept some of the milder programs of social reform.

But the programs of ameliorative reformers involved taking away the control which people had of their own affairs. They involved taking away some of the cherished liberties of at least some people. Now it is doubtful if there have ever been people more jealous of their liberties than Americans. It was for this that Americans rebelled against England and effected their independence, so generations of school children had learned. They had learned, too, in the inspiring phrase of Patrick Henry, that liberty was more precious than life. They had carefully limited and restricted their governments so that these might be less likely to become tyrannical. Americans would not lightly have yielded up their liberties, even if they had thought it would have resulted in more bread.

Many things went into making the reduction of liberty acceptable, but none of these could be ranked with the claim that what was being done was democratic. Americans had come, by the early twentieth century, to value what they thought of as democracy. Indeed, they had come to associate it with their system of government and their liberties in such a way that

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they could not readily perceive how things that were claimed to be democratic could be antithetical to their liberties. Some reformers perceived that the American attachment to democracy could be turned to good account; they need only identify their programs with democracy.

Herbert Croly made this rather clear as early as 1909. He declared that the loyalty of Americans "to the idea of democracy, as they understand it, cannot be questioned. Nothing of any considerable political importance is done or left undone in the United States, unless such action or inaction can be plausibly defended on democratic grounds. . . ."[1] Elsewhere, he points out how this fact can be utilized, saying that "the American people, having achieved democratic institutions, have nothing to do but to turn them to good account. . . . A democratic ideal makes the social problem inevitable and its attempted solution indispensable."[2] In short, he was maintaining that the political instrumentality of democracy should be used to transform man and society.

It is doubtful if anything in the history of Christendom can match the enamorment of Americans with democracy in the twentieth century. They have fought a war to make the world safe for it, written numerous books about it, taught courses about it, thingified it, prayed for it, and embraced it as the unquestioned good. Many writers sprinkle the word on their pages as if it were seasoning, politicians justify their programs by it, and educators call upon it as if it were heavy artillery.

The Grand Illusion that "We Are the Government"

What is so strange about it is that the appeal to democracy is founded upon an illusion. It is an illusion born in ambiguity, nourished by a political party, brought to maturity in romantic confusion, and placed in the service of social reform. But before reviewing this history briefly, the character of the illusion should be made clear.

The fundamental illusion here is that these United States, either singly as represented by the general government or taken together by including the state governments, are a democracy. The general government of the United States is not a democracy. It is not a democracy historically, etymologically, nor in the sense in which reformers use the word to justify their programs. The root meaning of democracy is rule, or govern-

[1] Herbert Croly, *The Promise of American Life*, Cushing Strout, intro. (New York: A Capricorn Book, 1964), p. 176.

[2] *Ibid.*, p. 25.

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ment, by the people. Government, according to the *American College Dictionary*, means, "the authoritative direction and restraint exercised over the actions of men in communities, societies, and states; direction of the affairs of a state, etc.; political rule and administration. . . ." It should be clear that in the United States the people do not govern. They do not make the laws. They do not administer the laws. They do not enforce the laws. These functions are performed by those people in government service. Nothing should be plainer than this.

Lincoln's Phrase Examined

Some of the confusion about our system of government can be cleared up by reference to the most famous, and repeated, purported description of that system, the phrase extracted from Lincoln's Gettysburg Address. As rhetoric, the phrase – "government of the people, by the people, for the people" – has much to commend it. It is simple, well balanced, and easily remembered. Unfortunately, it has come to have the standing of revealed truth when, in fact, as description, it is part true, part false, and part dubious.

It may be accurate to say that ours is a government *of* the people, that is, that it *derives its powers* from the people, *operates by the consent* of the people, and that those who govern are *chosen or appointed* from among the people. But it is not a government *by* the people. To think that it is, is to confuse the governed with the governors. Men exercise the powers of government; they govern or rule. Those who govern are not the people; no magic of voting, appointment, or delegation can transform them into the people. By constitutions, those who govern in the United States are granted *limited* powers to be exercised for a *limited* time to perform *limited* functions. In theory, the people have unlimited power; they may do whatever mortal men can do. (In practice, however, they are limited by constitutions, and those who govern are charged with seeing that they observe these.) Not so, the governors; they are strictly limited. To believe that the people govern is an illusion; it confuses governors with governed, and opens the floodgates to unlimited power of the governors over the governed. Lincoln's description here was inaccurate. As to whether ours is a government *for* the people, that depends upon how the powers are exercised.

The notion that the United States is a democracy is almost as old as the republic about which the confusion exists. As early as 1835 Alexis de Tocqueville, a

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Frenchman, published a book in Europe whose title in English translation is *Democracy in America*. Partisans of the Democratic Party were already beginning to refer to our system as democratic. By the latter part of the nineteenth century, the name had stuck, and Americans came to assume that theirs was a democracy.

It was generally understood at the time of the drawing and ratification of the Constitution of 1787 that it did not provide for democracy. The Founders understood that, in classical terms, they were providing for a mixed government. Its various branches were described as monarchical (the executive), aristocratical (Senate and possibly the Supreme Court), and democratical (House of Representatives). They understood very well, of course, that of the offices they were providing for, the President was not to be a monarch, the Senate not to compose an aristocracy, nor the House a democracy. The terminology was drawn from their understanding that there are three forms for the exercise of political power – monarchy, aristocracy, and democracy – and that they were assigning authority and responsibility to bodies derived from each of these forms. The power to be exercised was derived from the people by the representative principle. The resulting government they understood to be a republic.

The Founders' Intent

The Founders neither intended to found a democracy nor did they. There were two main objections to a direct democracy at the time. One was that the country was too extensive for any such mode of the exercise of power. The other objection was much more fundamental and universal in its implications. It was that even if it were territorially practical to have direct democracy, it would not be desirable.

In the debates over ratification in the Massachusetts Convention Moses Ames, who had presumably experienced direct democracy in the town meetings, made the point emphatically. "It has been said that a pure democracy is the best government for a small people who assemble in person. . . . It may be of some use in this argument . . . to consider, that it would be very burdensome, subject to faction and violence; decisions would often be made by surprise, in the precipitancy of passion, by men who either understand nothing or care nothing about the subject. . . . It would be a government not by laws, but by men."[3]

In the government actually

[3] Elliot's *Debates*, Bk. I, vol. 2, p. 8.

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founded, the role of the electorate was twofold: to give its *consent* by the choice, either directly or indirectly, of those who were to govern, and to *limit* the actions of those in government by periodic elections.

Yet by the Jacksonian period "democratic" was being used by some to describe the American way. The Jacksonians claimed to be lineal descendants of the Jeffersonians, and a good case can be made in justification of the claim. Later historians have written of "Jeffersonian Democracy," though Jefferson called his the Republican Party. Nevertheless, Jefferson did use the term "democracy" to refer to American ways, and it is appropriate to go back to him for an historical examination of the matter in hand.

The belief that the United States is a democracy arose mainly from an ambiguous use of the word "government." If Jefferson, Jackson, and their followers, had consistently thought of government as that which has a monopoly of the use of force in a given jurisdiction, they would not have thought of the United States as a democracy. They understood the political arrangements in this country too well for that. But they thought of government as also embracing the management by an individual of his personal affairs as well. This is often referred to as self-government. The difficulty with such usage is that it introduces ambiguities; it blurs the distinction between an individual's control of his affairs and the actions of agents of government – a distinction too important to be ignored. The confusion of these distinct activities set the stage eventually for a vast extension of governmental power at the expense of the individual's control of his affairs.

Both Jefferson and Jackson Opposed Big Government

Of course, neither the Jeffersonians nor the Jacksonians foresaw any such consequences. Indeed, there is great irony here, for both men and their followers were opponents of large governmental establishments and defenders of individual liberty. The Jeffersonian Republican Party drew its following from those concerned to limit the powers of the general government, to delineate the rights of the individual, and to secure the powers of local governments. The Jacksonians were vigorous opponents of governmental intervention in the economy, of the grant of special privileges, and of the use of large governmental powers in the lives of the citizenry.

Jefferson made his position clear on the role of government in his First Inaugural Address. He said

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that what was needed was "a wise and frugal government which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned." Still, he did confuse the issue as between political government and self-government. On one occasion, he wrote: "We of the United States, you know, are constitutionally and conscientiously democrats." He offered this explanation for the claim:

> We think experience has proved it safer, for the mass of individuals composing the society, to reserve to themselves personally the exercise of all rightful powers to which they are competent, and to delegate those to which they are not competent to deputies named, and removable for unfaithful conduct by themselves immediately.[4]

That he thought of the matter primarily in terms of men managing their own affairs is made clear in the following. He said that Americans had imposed on them "the duty of proving what is the degree of freedom and self-government in which a society may venture to leave its individual members."[5] Moreover, "I have no fear but that the result of our experiment will be that men may be trusted to govern themselves without a master."[6]

The Jacksonians were, if anything, more concerned with limiting government than the Jeffersonians and, at the same time, more fertile in producing confusions about self-government and democracy. In the *Democratic Review*, initiated in 1837, the author declared:

> The best government is that which governs least. No human depositories can, with safety, be trusted with the power of legislation upon the general interests of society so as to operate directly or indirectly on the industry and property of the community.[7]

The same author declared, "This is the fundamental principle of the philosophy of democracy, to furnish a system of administration of justice, and then leave all the business and interests of themselves, to free competition and association; in a word, to the *voluntary principle*. . . ."[8]

William Leggett, another Jacksonian, enunciated similar principles in the 1830's. "The funda-

[4] Edward Dumbauld, ed., *The Political Writings of Thomas Jefferson* (New York: Liberal Arts Press, 1955), pp. 48-49.

[5] *Ibid.*, p. 77.

[6] *Ibid.*

[7] Joseph L. Blau. ed., *Social Theories of Jacksonian Democracy* (New York: Liberal Arts Press, 1954), p. 27.

[8] *Ibid.*, p. 28.

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mental principle of all governments," he said, "is the protection of person and property from domestic and foreign enemies. . . ."[9] When it has done that, he thought, men may be expected to look after themselves:

> As a general rule, the prosperity of rational men depends upon themselves. Their talents and their virtues shape their fortunes. They are therefore the best judges of their own affairs and should be permitted to seek their own happiness in their own way, untrammeled by the capricious interference of legislative bungling, so long as they do not violate the equal rights of others nor transgress the general laws for the security of person and property.[10]

He identifies this with democracy by saying that "If government were restricted to the few and simple objects contemplated in the democratic creed, the mere protection of person, life, and property . . . , we should find reason to congratulate ourselves on the change in the improved tone of public morals as well as in the increased prosperity of trade."[11]

Walt Whitman, too, was an apostle of democracy (or of Democracy, for the word had not lost its partisan connotations when he wrote the words below). His views were similar to those above. "*Men* must be 'masters unto themselves,' and not look to presidents and legislative bodies for aid."[12] This being so, that government is best which governs least.

> One point, however, must not be forgotten—ought to be put before the eyes of the people every day; and that is, although government can do little *positive* good to the people, it may do an *immense deal of harm.* And here is where the beauty of the Democratic principle comes in. Democracy would prevent all this harm. It would have no man's benefit achieved at the expense of his neighbors. . . . While mere politicians, in their narrow minds, are sweating and fuming with their complicated statutes, this one single rule, rationally construed and applied, is enough to form the starting point of all that is necessary in government; *to make no more laws than those useful for preventing a man or body of men from infringing on the rights of other men.*[13]

A Large Measure of Self-Control

The Jacksonians, then, had a theory of democracy, a theory which involved limited government, free trade, a society of equals before the law, and each man pursuing his own interests limited

[9] *Ibid.*, p. 75.

[10] *Ibid.*, p. 76.

[11] *Ibid.*, p. 87.

[12] *Ibid.*, p. 131.

[13] *Ibid.*, p. 132.

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only by the equal rights of others. In this way, the energies of each man would be released to make the most for himself and contribute the greatest amount to the general well-being. They perceived that from the diverse activities of men a near miraculous harmony of achievement emerged. They surrounded their idea of democracy with a romantic aura, and some men sang praises to it. The author in the *Democratic Review* broke forth in what amounts to a lyrical litany to democracy:

> We feel safe under the banner of the democratic principle, which is borne onward by an unseen hand of Providence, to lead our race toward the high destinies of which every human soul contains the God-implanted germ; and of the advent of which — certain, however distant — a dim prophetic presentiment has existed, in one form or another, among all nations in all ages.[14]

It is quite probable that it was some such conception of the American system as this that Lincoln had in mind when he drew the fateful phrase for the Gettysburg Address. And, in this sense — conceiving the people as individuals, and government primarily as self-government — it may have been descriptively apt to refer to the system as a government of, by, and for the people. It is not difficult to understand, either, how many Americans could come to value democracy so highly. As I have pointed out, however, the conception was flawed by ambiguity. There was no clear distinction between government as force and "government" as a man's management of his own affairs.

Indeed, the Jeffersonians and Jacksonians did not see the need for making such a distinction. What is correctly called government was only an extension of the principle of a man's control of his affairs to a different arena, when the government was popularly based. They were majoritarians; they thought that when government derived its power from a broad general consent that the liberties of the individual would be most secure. The effort to extend the suffrage was thought of as part and parcel of an attempt to be rid of special privileges, governmental favors, and the use of government for special interests.

Reversing the Historic Pattern of Governmental Privileges

In historical perspective, their case was an impressive one. Governments had ever and anon been used for the advancement of the few at the expense of the many. Men of wealth and station had used government to consolidate their positions, to confer titles and

[14] *Ibid.*, p. 30.

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hereditary positions upon them, and to grant them exclusive franchises and monopolies. Could the poor not see that their hope lay in limiting government, in *laissez faire,* in allowing each man to receive as his efforts and ability merited? Could those of the middling sort not perceive that their advantage lay with a free and open economy?

For the moment, in the mid-nineteenth century, they could. There were as yet no widespread theories about using the government positively to benefit the less well off. No grandiose plans for redistributing the wealth had yet been spread to bemuse and enamor the ne'er-do-wells. In the last decades of the nineteenth century, however, the situation was changing. Social theorists, utopians, reformers, communitarians, populists, anarchists, socialists, and others were spreading their ideas. The programs ranged from Henry George's proposal to confiscate all rent, to the Populist idea of partial government ownership of the means of production, to Daniel De Leon's full-fledged Marxist socialism. The siren song that all sang, however, was that the government (as force) should be used for the benefit of the general populace, at the expense of the few. The hoary practices of discrimination by government were to be reversed; the have-nots were at last to be made the beneficiaries of government.

Perverting the Democratic Ideal

Clearly, however, American institutions, traditions, and beliefs ran counter to any such usage. American democracy stood for limited government, for equality of all (including the rich) before the law, for each man to seek his own good in his own way, and for each to receive the rewards of his own labor. Perhaps a revolutionary socialist would conclude that democracy would have to go, then. After all, some were concluding that socialism would have to be ushered in by an elite. However, evolutionary socialists – Fabians, gradualists – proposed to turn the materials at hand to their ends. Democracy was a concept too deeply ingrained in American thought, as Herbert Croly indicated, to be ignored. It must be somehow subsumed into the new vision; it must be "instrumented" for new social ends.

But for this to be done the conception of democracy would have to be transformed; the old democracy would have to be displaced by a New Democracy. This was the burden of Walter Weyl's book, *The New Democracy,* examined in the last chapter in another connection. He made no secret of the fact that this was what he was

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about. He referred to the "so-called individualistic democracy of Jefferson and Jackson," and declared that whatever its merits had been at the time it was now obsolete. "The force of our individualistic democracy might suffice to supplant one economic despot by another, but it could not prevent economic despotism."[15] What he meant was that when each man got the rewards of his efforts, some got much more than others. In consequence, "to-day no democracy is possible except a socialized democracy."[16] The reason for this, he claimed, was that the "individualistic point of view halts social development at every point. Why should the childless man pay in taxes for the education of other people's children? . . . To the individualist taxation above what is absolutely necessary for the individual's welfare is an aggression upon his rights and a circumscription of his powers."[17]

This conception of democracy would have to be changed:

> In the socialized democracy towards which we are moving all these conceptions will fall to the ground. It will be sought to make taxes conform more or less to the ability of each to pay; but the engine of taxation, like all other social engines, will be used to accomplish great social ends, among which will be the more equal distribution of wealth and income. The state will tax to improve education, health, recreation, communication . . . , and from these taxes no social group will be immune because it fails to benefit in proportion to cost. The government of the nation, in the hands of the people, will establish its unquestioned sovereignty over the industry of the nation, so largely in the hands of individuals.[18]

The "people," however, had generally been less than enthusiastic at that time about such thoroughgoing "democracy." To change popular opinion, Weyl believed it would be necessary to undertake an immense educational program. People must be led to

> recognize that we have the social wealth to cure our social evils – and that until we have turned that social wealth against poverty, crime, vice, disease, incapacity, and ignorance, we have not begun to attain democracy. We must change our attitude towards government, towards business, towards reform, towards philanthropy, towards all the facts immediately or remotely affecting our industrial and political life.[19]

Such an "educational" program was, of course, undertaken, and the story of it will be told later.

[15] Walter E. Weyl, *The New Democracy* (New York: Macmillan, 1912), pp. 161-62.
[16] *Ibid.*, p. 162.
[17] *Ibid.*, p. 163.
[18] *Ibid.*, pp. 163-64.
[19] *Ibid.*, p. 273.

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The "New Democracy" Contingent on a New Class of Rules

But the important point here is this: The ambiguity of the earlier conception of democracy was dissolved into an illusion. Democracy was transformed into a political conception. The government (as force) was to undertake the myriad functions being prescribed. What had formerly been done by the people (individually) was now to be done for them by the government. But that would not be democratic. The people collectively could not even perform the simpler offices of limited government. To understand this it is only necessary to imagine all Americans gathered to welcome a foreign ambassador or directing a military undertaking. No, an electorate could not even direct the simplest of activities; for that it had to choose representatives, and these had to appoint agents. These agents were not the people, a fact well understood earlier, and they had to be checked else they would become despotic. For that, elections would serve, or so they hoped.

Now, however, governments were to undertake vastly complex activities, activities whose complexities eluded the understanding of all except a few. Governments were to plan economies, control economic activities, attempt to effect distributive "justice," enter into every facet of the lives of people. If this could be done, it certainly could not be done by the "people." All constructive activity requires organization. If more than one person is involved, hierarchical organization becomes necessary. Authority and responsibility must be located in a single head, and if the undertaking involves a great many people, there must be a "chain of command." Insofar as the American political system provides for such organization, it is not democratic (it is monarchic and aristocratic, a fact well understood by the Founders); insofar as it is democratic, it does not encompass such organization and activity.

In short, the reformers could not effect their programs by democratic means. They could, however, change the conception of democracy into a conception of ends and use undemocratic means to the end. The story of how they did this needs to be told, also. ◈

The next article in this series will pertain to "The Democratic Elite."

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C. W. ANDERSON

"Every employee is ENTITLED to a fair wage."

BEING "FAIR" in the determination of wages is an axiom of good management, a "demand" of union leaders. But at the risk of appearing to be "unfair," let us examine the notion that "every employee is *entitled* to a fair wage."

Suppose, for instance, that a man is employed to produce ordinary aluminum measuring cups. Working with only such hand tools as a hammer and cutting shears, he is able to cut and form two cups an hour – 16 in an 8-hour day; and these hardly the streamlined models which grace a modern kitchen.

A block away, a man using a press, dies, and other mass production equipment turns out high quality aluminum measuring cups at a rate of 320 a day. What is a "fair wage" in each of these plants? Is it the same for the highly skilled man who forms cups with hand tools as for the man who mass produces them at twenty times the first man's rate?

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If the advocate of "fair wages" begins with the assumption that two dollars an hour is a fair wage for the man using hand tools, it is clear that each cup must sell for no less than one dollar – just to cover labor costs. But charging any such price for handmade cups obviously is out of the question if superior cups from the nearby competing plant are offered, shall we say, at 25 cents each.

If the consumers' choice is to be a determinant of the price of cups, then it appears that this hand craftsman – for the job he is doing – may not be able to earn more than a few cents an hour. Were he to insist on more from his employer, he'd obviously price himself out of that job. This, of course, would leave him the alternative of seeking employment elsewhere; possibly at the more highly mechanized plant in the next block.

Within an economy of open competition, it seems reasonable that any person should be free to

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choose from among various available employment opportunities. But if all interested parties – including employers and consumers – are to be equally free to choose, then it is clear that the employee may not arbitrarily set his own "fair wage" and demand a job at that rate. Nor can an employer arbitrarily maintain for an appreciable time a "fair wage" that is much higher or lower than is indicated by the competitive situation. If he tries to pay more than is justified by the productivity of his men and tools, he must face bankruptcy. And if he pays much below the prevailing level in that area, his workmen will quit.

If freedom of choice is to be respected, then the only fair wage is one determined by the purely voluntary process of competitive bargaining in a free market.

One may deplore the plight of the poor fellow in the unmechanized plant; how will he use his skills? Indeed, it is unfortunate if he lacks the modern equipment to make his efforts most productive. But to suggest that he should receive more than is reflected in the price consumers will voluntarily pay for cups is to reject the ideal of competitive private enterprise, to turn away from freedom and to accept Marxian philosophy. That would be saying in effect that *need*, and not productivity or consumers' choice, determines wages; and that once a person starts work at a certain job, he has a vested interest in that job and a *right* to receive more than he can earn in it. We may decry the decisions of consumers in the market place if they reject the high-priced product of the hand-skilled employee, but the only substitute arrangement is to deny the consumer's right of choice by law, forcing him or some other taxpayer to subsidize the particular craftsman. No one can have a *right* to such an arbitrary "fair wage," unless someone else is *compelled to pay it.*

So a "fair wage" is not something static which anyone can pick out of the air or arbitrarily define. It is not a fixed amount for every employee, but a figure that varies with each person and situation. The physical strength and technical skill of the employee may be highly important factors; but from this simple illustration it is clear that neither these, nor the man's *needs*, can be the sole determinants of wages. The most important single factor – assuming consumers' choice of this product – is productivity which proceeds from investment in tools. When this truth is recognized, it wholly displaces the fallacious idea of a right to a "fair wage." ◈

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The Icarian Community of Nauvoo

NAUVOO, Illinois, is well known for the Mormon settlement there from 1839 to 1846, but few know of or remember the communal Icarians who occupied the town from 1849 to 1860.

PAUL M. ANGLE, editor of *Chicago History*, in the Spring 1965 issue of that journal of the Chicago Historical Society, tells the story as taken from *The Icarian Colony in the United States of America: Its Constitution, Its Laws, Its Situation Material and as to Morale at the End of the First Six Months of 1855* by Etienne Cabet.

ETIENNE CABET, born at Dijon, France, in 1788, was one of many men of his time who were inspired by visions of a better world than that in which they lived. Soon after the French Revolution of 1830, Cabet's attacks on the government of Louis Philippe sent him into exile in England. There he fell under the influence of Thomas More's *Utopia* and the personal magnetism of Robert Owen, the English humanitarian who had founded a short-lived communal settlement at New Harmony, Indiana, in the 1820's.

In England, Cabet wrote his chart of the ideal society: *Voyage et Aventure de Lord William Caristal en Icarie*, more commonly known as *Voyage en Icarie*. Cabet depicted an imaginary state in which a leader, Icar, had set up a regime based on the denial of private property. In Icaria there was no money, no salaries, no taxes. Everyone ate the same food, lived in identical quarters, dressed in

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the same clothes. Even the children were taken from their parents at an early age and reared and taught by designated members of the community. Published in 1840, the book was translated into German, Spanish, and English in the next eight years.

Re-admitted to France, Cabet made plans to move his ideal society from the printed page to reality. In December, 1847, he announced that Icaria would be founded on the banks of the Red River in Texas. There he bought several thousand acres of unimproved land. Eager recruits jumped at the chance to exchange poverty and frustration for the good life in the New World. The conditions were hard: each colonist must contribute 300 francs to the common fund, bring his own tools and clothing sufficient for two years. Nevertheless, 69 persons, all citizens of the perfect state, embarked at Le Havre for New Orleans on February 3, 1848.

The voyage took nearly two months. They had been told that there was easy access to their land: they discovered that they had to hack their way to it. At their destination they learned that their purchase had been encumbered by impossible conditions. Illness decimated them. After several months they gave up and made their laborious way to Shreveport on the Red River, most of them hoping only to return to France.

At this point Cabet, who had not accompanied the advance guard, arrived. Soon afterward, three Icarians who had been sent north on an exploring expedition returned to report that on the Mississippi River, in the state of Illinois, stood the town of Nauvoo which the Mormons had abandoned two years earlier. Land and buildings could either be rented or purchased. Cabet quickly decided that Nauvoo would be the site of Icaria.

On March 1, 1849, 142 men, 74 women, and 64 children left New Orleans and headed upriver. (The advance guard had been augmented by several later accessions.) On the trip twenty died of cholera. When they arrived at Nauvoo two weeks later, the colonists had 46,000 francs, but after buying land and houses (and renting more), and buying furniture, horses, animals, and implements, only 5,000 francs remained.

The State of Material Affairs

Now we turn to Cabet for an account of the Icarian community five years later—that part of his book covered by the "situation materielle" of his title.

On July 1, 1855, the Icarians numbered 526, of whom 57 lived

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in a subsidiary group which had been established in Iowa. This number had been attained in spite of defections. Most of the defectors were Germans who could not speak French and did not share Icarian principles. Even so, several of those who had left had signified desire to return. Cabet quoted a letter from one:

"If there are those in the community who wish to leave, I tell them that they are mad; that they will never find what they will leave: Fraternity, Liberty, a life tranquil and without worry; for, while I have found good and generous hearts in the family of my wife, the community was still better."

Lodging, the founder admitted, was still far from perfect, in part because of the shortage of masons. The colony needed stoves and lamps, candles and oil, and a horse and wagon to deliver coal and wood to each dwelling.

Various workshops were in operation: a sewing room for making dresses and men's clothing, a machine shop, forge, blacksmith's shop, tin shop, carpenter shop, and quarters for butchers, painters, coopers, printers, shoemakers, weavers, bakers, and various other trades. The list sounds impressive until one comes to Cabet's admission: "All these workshops are in their infancy, but the colony will develop and perfect them." The great need, it turns out, was for machines, and for storerooms for raw materials, tools, and finished products. This meant money, and money, in Icaria, was in short supply.

The inventory showed 14 horses, 25 oxen, between 400 and 500 hogs, and 20 cows which gave from 80 to 140 liters of milk a day. Fowls were scarce: so few that eggs were limited to the sick.

Misfortunes had taken a heavy toll. Fire had destroyed the grain elevator, malt house, and laundry, all new buildings. Two valuable horses, three colts, and several cows and hogs had died. On the credit side the colony had built one dormitory on the temple square. It had purchased a service of faience and glass for the refectory and had ordered another, of wrought iron, from Paris. The temple square had been planted with trees, shrubs, and flowers, and there, every Sunday after supper, 20 school children "made music in the open air."

Living Conditions

Cabet described living conditions in detail. Board—all ate in the common dining room — was nourishing and as varied as possible. In the morning, before going to work, the men were served a dram of whiskey with bread.

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For lunch the men had soup, potatoes or beans, or meat left over from the night before. The women, apparently, had to be satisfied with *café au lait*. The dinner menu bears out Cabet's assertion that the Icarians were better fed than the mass of working people elsewhere. "Several times a week we have thick soup and butcher's meat, sometimes mutton; in the winter fresh pork with sauerkraut, ham and other smoked pork; excellent fish once or twice a week depending on the season; various pastries, potatoes, sweet potatoes, beans, rice, butter, cheese, fresh vegetables of all kinds, radishes, cabbage, peas, carrots, turnips, onions, leeks, spinach; sometimes poultry; often, during the season, melons and watermelons. This year we will have an abundance of peaches, enough to eat three times a day for a month, either fresh or stewed. Next year we will have apples and other fruit, for we have planted fruit trees of all kinds, and we will even have all kinds of preserves. We do not yet have grapes but we will soon, for we are cultivating the vine."

"Icarian dress," Cabet declared, "must be suitable for cold and heat, in winter and summer, comfortable, economical, and consequently simple, easy to make and repair, utilitarian, without luxury and adornment. All which tends toward luxury and coquetry is as contrary to our economic necessity as to our principles of reason and morality." The colony had to make a large number of straw hats, and winter caps of cloth, leather, and fur. Boots had to be made for all outdoor workers, which meant practically everyone. This meant great expense, which could be diminished if money for a tannery could be obtained. In the meantime, some of the workmen were turning out sabots, cheaper than boots and warmer in the winter.

The colony had three schools; one for boys from six to sixteen, one for girls of the same age, and a third, a kind of nursery school, for children between three and six. The children had to eat and sleep at the older schools, which occupied a large double house. On Sunday, their parents could take them away between dinner and supper, and could see them at school any day of the week during recreation periods. The girls were taught women's work and the boys various trades, including farming. Cabet looked forward to the time when the schools could accommodate some American boarders who would receive instruction in the French language and Icarian principles.

The town had a library of 4,000

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volumes which received a number of French and American newspapers. There was also a theater where every Sunday, in the presence of the entire community—the men, women, and children occupying separate sections—talented Icarians presented plays, sang, or recited. The choir—so the founder claimed—was much in demand for public fetes, and on one occasion had received $100 for singing at the dedication of a railroad.

The colonists were fortunate enough to have a physician who was also a surgeon. He made daily visits to the infirmary and the schools and to those who were ill at home. The hospital, however, was so small it could care for men only. A midwife presided at all deliveries. Women and the girls of the school bathed in a large pond, the men and boys in the Mississippi. (What, one wonders, did they do in the winter?)

Signs of Discord

So far, from Cabet's recital, one could conclude that affairs were going quite well in Icaria. Yet he was careful to point out that the settlement at Nauvoo was not intended to be permanent. Much of the surrounding land was occupied and held at prices too high for the colony's means. The tracts that could be rented were so small that permanent improvements were impractical. A location where the community could buy large holdings of land was indispensable. But where to go? Oregon, Texas, Kansas, Nebraska? All were too far away, and some places were already too thickly settled. In 1852 they had decided upon Adams County, Iowa, 200 miles to the west. They possessed 4,000 acres there but did not have the resources really to develop their holdings.

It would be necessary, therefore, to keep Nauvoo for some years as a place of apprenticeship, a school for the children, and a propaganda center. It would also be a place of reception for the many new arrivals expected from France.

When Cabet turned to a discussion of the colony's morale, the true state of the venture came out.

"I am not satisfied," the founder asserted bluntly. "We do not understand our principles sufficiently and do not apply them fully; we do not have enough of unity and fraternity, order and economy, discipline in work, or fidelity to the conditions of admission."

Cabet had a long list of specific complaints. Too many colonists tried to obtain special privileges, thus violating the principle of equality. Too many indulged in

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slanders and calumnies. Some were lazy; some had violated the principle of communal property by secretly selling clothing and furniture which belonged to the community. Many were careless and profligate; others regularly disregarded the rule which prohibited hunting and fishing for pleasure.

Intemperance

Cabet discussed certain delinquencies at length. One of the rules of the colony enjoined temperance, frugality, and simplicity. "But some, too many . . . can be called free livers or sensualists. I have seen no one suffer from hunger, but I have seen much of indigestion – a mother kill her children by too much to eat, and an old man kill himself by indulging to excess, against the advice of his friends, in melons during a cholera epidemic." Coquetry was a vice of the Old World capable of disrupting the family, yet women who called themselves Icarians were bringing Paris styles to Nauvoo, while Icarian women in Paris were sacrificing their jewels for the advancement of the order.

The use of tobacco, all Icarians knew, was strictly prohibited. Nevertheless, several members of the delegation sent to Keokuk to receive the last group to come from France greeted the newcomers with pipe in mouth. Others, notably the Germans, had taken to their pipes only days after foreswearing them; still others could be seen smoking before their doors in the sight of the whole colony. "These abuses are grave," Cabet warned, "infinitely grave in my eyes, and I am convinced that it is absolutely necessary to stop them."

The objections to tobacco could be applied equally to strong drink, but with the difference that whiskey was useful to workers when distributed regularly and with caution. Thus it was that in the morning, during summer, when the Icarians went to work at an early hour, they received a dram of whiskey with bread, and that between meals, in the hot weather, they were rationed whiskey diluted with water. In the winter outdoor workers, and the women assigned to the laundry, received a regular allowance.

But there had been abuses, particularly in the shops on the outskirts of the town. Here workers had taken whiskey after each meal and oftener, and more of the critter than the rules allowed. Women had requisitioned whiskey to make preserves for their own use, and there had been thefts of liquor from the storehouse. "We even see, I say with regret

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and I blush for you, some drunkenness in a society pledged to temperance. I can cite only one case, but one case in Icaria is too many, much too many."

The thirty-ninth condition of admission to the colony required the applicant to adopt, for religion, "the true Christianity, and for a creed, the practice of fraternity." "In Icaria," Cabet explained, "we have neither superstitions nor ceremonies, and those who believe that it is absolutely necessary to deceive, to brutify, and to fanaticize the people in order to govern them [religion is the opiate of the masses?] must find very difficult the Icarian undertaking which has no other weapons than reason and truth. But, Icarians, how can you hesitate to adopt for your religion the evangelical doctrine of fraternity, and for your creed the practice of that same fraternity?"

The forty-fifth, and final, condition stipulated that the community would have complete control of the children. But almost all families had forgotten this commitment: they wished to retain control of their children and to participate in all that concerned them. Many seemed to think that they could prove their affection by encouraging the children to develop a taste for fine clothing and choice foods; some even permitted them to hear talk which excited them to insubordination. "This," Cabet warned, "is one of the gravest impediments to the progress of the community."

The Greatest Problem: Organized Opposition

"Well, in summary, what is our morale situation?" the founder asked in conclusion. "Isn't it evident that almost none of the conditions of admission is being fully complied with, that a certain number among us lack the Icarian qualities, that they neither know nor understand Icarian principles, and live in individual selfishness?"

The principal evil in the colony, Cabet charged, was a party hostile to communism, to the president, and to the faithful Icarians – a party which indulged in frequent, unsparing dissidence and a systematic opposition. The members of this group were not numerous – eight, ten, perhaps a few more– but they were very bold. They scorned education and Icarian propaganda; they justified the use of tobacco and whiskey and hunting for pleasure; they encouraged insubordination in work. They spread the notion that the Icarians were slaves because they did not enjoy absolute liberty, and asserted that they had not traveled 3,000 leagues to live in bondage. To them the faithful

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were only flatterers moved by ambition, or informers and spies.

Cabet ended with a pitiful personal confession.

"I am old, overburdened by work, fatigue, and care, and I need rest.

"In consequence of all these fatigues and agitations, at the end of a long discourse on my part in the General Assembly last December, I was struck, you will remember, by a paralytic stroke which, thanks to the care of our physician, did not keep me from going out the next morning. Since then, my eyes are no longer strong enough for me to read, nor is my hand steady enough for writing. I am, to a degree, ill and in pain.

"And if the systematic opposition to which I am subjected does not cease completely, if the party which has been formed does not disband absolutely, if the majority does not resolve to practice vigorously Icarian principles and obey Icarian laws, without condoning any violation, I will retire next February, and leave the safety of the colony up to you."

The opponents of Cabet proved to be far more numerous and far stronger than he thought. In December, 1855, the faithful and the dissidents came to an open break over constitutional changes which the president demanded. Wrangling kept the community in turmoil for months, with Cabet losing ground steadily. Finally he decided to lead his own followers to St. Louis. In the month of October, 1856, seventy-five men, forty-seven women, and fifteen children left Nauvoo. The last contingent reached St. Louis on November 6. The next morning Cabet suffered a cerebral hemorrhage, and died at 5:00 a.m. on November 8.

The Icarians who had followed Cabet to St. Louis established a colony at nearby Cheltenham, which lasted until 1864. Those who had remained at Nauvoo stayed there until 1860, when they joined forces with the small group in Iowa. One group would break up only to be succeeded by another until 1895, when the common property was turned over to a receiver for distribution among the few surviving members. ◈

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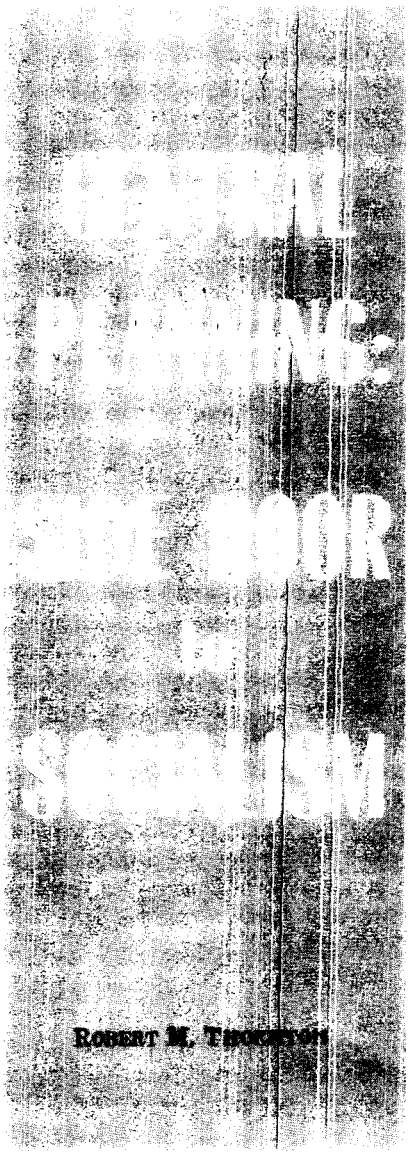

MY THESIS may be stated very simply: central planning will eventually destroy individual liberty by concentrating all political power in one person or in a committee; furthermore, it will eventually end our prosperity by laying the dead hand of state control on the economy. Now there are doubtless some advocates of central planning who are well aware that this would spell the doom of individual liberty, but the great majority of people undoubtedly believe that central planning is compatible with freedom and prosperity. It is to the latter that my words are directed.

Let me begin by noting that the three great intellectual traditions – classical liberalism, conservatism, and whiggism – converge at this point, in their opposition to state planning.

In his monumental book, *Human Action*, Dr. Ludwig von Mises, a classical liberal, has this to say on central planning:

> The truth is that the alternative is not between a dead mechanism or a rigid automatism on one hand and conscious planning on the other hand. The alternative is not plan or no plan. The question is whose planning? Should each member of society plan for himself, or should a benevolent government alone plan

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for them all? The issue is not *automatism versus conscious action;* it is *autonomous action of each individual versus the exclusive action of the government.* It is *freedom versus government omnipotence.*

Laissez faire does not mean: Let soulless mechanical forces operate. It means: Let each individual choose how he wants to cooperate in the social division of labor; let the consumers determine what the entrepreneurs should produce. Planning means: Let the government alone choose and enforce its rulings by the apparatus of coercion and compulsion. (p. 726)

Planning in England

Writer and lecturer, Dr. Russell Kirk, a conservative, discusses central planning in his book, *Beyond the Dreams of Avarice,* the last half of which is devoted to describing the consequences of the planned economy in England:

If all life is to be planned, how are the planners to be chosen? And who will guarantee their integrity? And who will compensate for their errors? And what is to become of those delicate realities which do not fit conveniently into utilitarian plans – religion, the higher learning, the sense of beauty, the life of the family and traditional community, the sense of historic continuity that distinguishes a nation from a mere mob of individuals? Few Englishmen apprehended, at the inception of the welfare state, how its operation could not be confined to a few simple economic concerns, but necessarily must extend further and further into the morality, the education, the taste, and the little amenities of the life of every human being under its authority. (p. 215)

Professor Friedrich A. Hayek, an old-fashioned Whig, argues persuasively against central planning in his essay, "Kinds of Order in Society" (*New Individualist Review,* Vol. 3, No. 21). The persons who favor central planning, he writes, fail to acknowledge their abysmal ignorance and, lacking humility, believe themselves capable of creating complex social orders. But

in none but the most simple kinds of social order is it conceivable that all activities are governed by a single mind. And certainly nobody has yet succeeded in deliberately arranging all the activities of a complex society; there is no such thing as a fully planned society of any degree of complexity. If anyone did succeed in organizing such a society, it would not make use of many minds but would instead be altogether dependent on one mind; it would certainly not be complex but very primitive – and so would soon be the mind whose knowledge and will determined everything. The facts which enter into the design of such an order could be only those which could be perceived and digested by this mind; and as only he could decide on action and thus

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gain experience, there could not be that interplay of many minds in which a lone mind can grow.

It is thus a paradox, based on a complete misunderstanding of these connections, when it is sometimes contended that we must deliberately plan modern society because it has grown so complex. The fact is rather that we can preserve an order of such complexity only if we control it not by the method of "planning," i.e., by direct orders, but on the contrary aim at the formation of a spontaneous order based on general rules.

It should be perfectly clear from the above quotations that it is intellectually respectable to oppose central planning and that anti-collectivists, with all their differences, are as one in their condemnation of planning by a central authority. I should now like to continue in my own words to mention briefly some of the fallacies inherent in planning and to explain why central planning is *not* compatible with freedom and prosperity.

Control Involved

No individual or organization can plan unless control is exercised over the means required to achieve the chosen goal. Could a housewife plan a meal if she had no control over the food, the cooking utensils, kitchen appliances, utilities, dishes and silverware, kitchen and/or dining room furniture – and the members of her family? Someone might attempt to argue that people will voluntarily submit to a master plan – its brilliance will immediately become apparent to one and all and no coercion will be necessary. But is this not a naive view of human nature? It is difficult enough to get some people to agree on the time of day! How can anyone think that a whole nation, or an appreciable part of it, will be agreeable to the plans of central authority?

Others might believe that central planning need not interfere with the private lives of individuals. The master plan, they tell us, will be concerned only with production and the means of production. But does not the experience of Nazi Germany and the communist states teach us that a central planning authority must necessarily direct such personal matters as where, when, how, and with whom one lives, works, plays, and worships? The master planner must not and will not tolerate contrary individuals who resist authority; everyone must submerge his individuality in the grand design. This is one side of the coin.

On the other side, central planning will make some persons pros-

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perous by granting them privileges at the expense of others. Central planning, like socialism, is not designed to produce more wealth but to redistribute wealth already produced, according to the whims of a central authority. The more serious the attempts to spread the wealth, the less wealth there'll be, of course, because many will cease producing any more than the minimum required to support themselves and their families. Also the "smart" folks will see that the way to riches is to please the authorities, instead of working harder or thinking of new goods and services and better ways to produce them, that is, by pleasing customers.

Who Pays for Mistakes?

Prudence and individual responsibility are discounted under central planning because when the master planner blunders, everyone is hurt. When individuals or groups of individuals make wrong decisions, the consequences are pretty much confined to a relatively small number of people. So, for example, if a farmer errs in his plans or is hurt by the weather, he and his family and employees are the only ones likely to suffer very much. But if the authority planning *all* agricultural production makes a mistake, many will suffer; but not necessarily the planner himself who with the force of the state behind him will at least get first crack at what food there is. Hence, the master planner, unlike the individual man or company, does not incur the natural penalties for his mistakes. He becomes irresponsible, as will all men and women under a system which tells them what to do and consequently relieves them of the duty to exercise personal judgment and accept personal responsibility.

The individual under central planning is worse off than otherwise because a balanced, dynamic economy is impossible under such a system. Labor and raw materials may be poured into the production of spaceships, but the result is a shortage of consumer goods. Once a master plan goes into effect new ideas, inventions, and techniques must be ignored or cast aside because they would upset "The Plan." Planning fixes a nation in the status quo. What, for instance, would have happened if a central authority had started planning the American economy in 1900? The planner would undoubtedly have based his schemes on an economy in which horses provided one of the chief means of transportation. Five Year Plans and Ten Year Plans would have spelled out the production quotas for harness and saddle makers and

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carriage manufacturers, the construction of blacksmith shops and liveries, and the operations of breeding farms.

But then, along comes Mr. Ford and others with the *horseless* carriage! Is it likely the planner would eagerly scrap old plans and make new ones based on novel and untried means of transportation and power? And if by some freak of human nature, he did, is it conceivable he could have actually *planned* the automobile industry (and many related industries) as we have it today, over a half-century later? I doubt it.

Leonard Read has demonstrated that no one can make even a pencil all by himself, so it certainly follows that no one person can make a car by himself. Hence, it is impossible even to conceive of anyone or any group of persons planning the whole automobile industry – not to mention the industries that are necessary to the manufacture and operation of automobiles, petroleum, rubber, glass, and so on. Planning impoverishes a nation, regardless of the good intention of the planners. (Space does not permit a presentation of "case histories" to support this contention, but the interested reader is directed to two essays in the *New Individualist Review* [Vol. 3, No. 2]: B. R. Shenoy, "The Results of Planning in India," and Michael F. Zaremski, "Red China's Great Leap Backward.") It is not unfair to state that central planning has been tried and found wanting and to deny this is to shut one's eyes to history.

Actually, if central planning could be perfect and absolute (which, of course, nothing of human design can be) society as we know it would disappear, and the poor souls remaining would have to endure a world such as that envisioned by George Orwell (*1984*), or David Karp (*One*), or Ayn Rand (*Anthem*). The more central planning "succeeds," the more glaring are its errors and shortcomings and the more terrible its consequences.

Francis Rabelais's Friar John asked how he could be expected to govern an abbey when he had so much trouble governing himself! Such humility is rare today when many there are who believe themselves capable of directing the lives of their fellow citizens. Surprisingly enough we heard a humble acknowledgement of this a few years ago by a U.S. Public Health Service official who declared that "a fool can put on his own clothes better than a wise man can do it for him." (Quoted by Jane Jacobs in her excellent book, *The Death and Life of Great American Cities*).

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Unanticipated Consequences

The planners may be sincere and well-intentioned; the grounds on which they base their interventions may appear to be logical. But even so, the interventions may produce unexpected and unwanted results. An urban renewal program, for instance, may be set up with the idea of providing better housing for the poor, increasing property values, enriching the business community, providing jobs for the unemployed, and the like. The consequences—a *shortage* of housing, small businesses gone forever, graft on a colossal scale, an increased burden on the taxpayer, and reduced tax revenues. Herbert Spencer said many years ago that no matter how leakproof the political design appears on paper, something not only unforeseen but *unforseeable* comes along to make a mess of it. In real life, we never deal with one thing in isolation; things are linked together in subtle ways. Attempt to control merely the price of butter, and control quickly spreads from the dairy industry, to the trucking industry, to the corner grocer—until the whole nation is affected.

One must also question the deterministic theory behind central planning which equates men and women to the inanimate pieces on a chessboard. Master planners, backed by state authority, may determine the conditions of a man's life, but they cannot determine the individual's response to these new conditions.

Economic Calculation Impossible in the Socialist State

Under master planning, as in any other socialist order, economic calculation is impossible—except by reference to the relatively free economies elsewhere in the world. The consequence is, of course, inefficient production and high prices, too much of one thing and not enough of another. The wonders of the market economy are destroyed when political decisions replace economic decisions.

The central planner also forgets that what is an orderly, rational, reasonable arrangement to one person is to another person disorderly, irrational, and unreasonable (see de Jouvenel's essay, "Order vs. Organization" in the *Festschrift* honoring Mises, *On Freedom and Free Enterprise*). I, who am hardly able to drive a nail straight and cannot under any circumstances plane a board, sometimes shake my head at what appears to be utter confusion at a construction site. How the building ever gets up, I would not know, for everything is in such a mess. But if I were put in charge and kept everything "neat," the building would never get finished! In

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brief, we are often tempted to pass judgment on things we know very little about.

If I fall victim to this temptation as an individual, no great harm is done, but give me the authority of a central planner and I can really cause trouble! The central planner is not necessarily any worse than his fellow men; the trouble is that he has the power that no person can be trusted with under any circumstances. Mises acknowledged this truth in his reply to someone who asked what he would do if he were king with authority to do whatever he wished. Said Mises, "I would abdicate!" ◈

IDEAS ON LIBERTY

The Fruits of Capitalism

IN THE FEUDAL SOCIETY the economic situation of every individual was determined by the share allotted to him by the powers that be. The poor man was poor because little land or no land at all had been given to him. He could with good reason think — to say it openly would have been too dangerous — : I am poor because other people have more than a fair share. But in the frame of a capitalistic society the accumulation of additional capital by those who succeeded in utilizing their funds for the best possible provision of the consumers enriches not only the owners but all of the people, on the one hand by raising the marginal productivity of labor and thereby wages, and on the other hand by increasing the quantity of goods produced and brought to the market. The peoples of the economically backward countries are poorer than the Americans because their countries lack a sufficient number of successful capitalists and entrepreneurs.

A tendency toward an improvement of the standard of living of the masses can prevail only when and where the accumulation of new capital outruns the increase in population figures.

The formation of capital is a process performed with the cooperation of the consumers: only those entrepreneurs can earn surpluses whose activities satisfy best the public. And the utilization of the once accumulated capital is directed by the anticipation of the most urgent of the not yet fully satisfied wishes of the consumers. Thus capital comes into existence and is employed according to the wishes of the consumers.

LUDWIG VON MISES, *The Elite under Capitalism*

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THE Libertarian Movement AND ITS Propaganda

ALEXANDER EVANOFF

THE AVERAGE AMERICAN is not likely to have heard of the Libertarian movement or what it represents and seeks to achieve. But, it seems to be clearly out of its embryo stage, prepared to exert an increasing influence. Though more quiet and less noticed than the earlier Fabian movement, its approach is also educational.

The Libertarians and the Fabians are distinctly opposed philosophically but their appeal, methods, and slow growth, as well as possible historical significance, may be said to bear certain similarity.

The Libertarian name was chosen when it became clear to serious students of liberty that authoritarian movements and ideas had pre-empted and perverted the freedom ideals for which the term *liberal* once stood. However, we are here concerned not so much with the theories or ideas of Libertarians as with the propaganda or educational methods they use, particularly as outlined in a 183-page guidebook by Leonard E. Read entitled *Elements of Libertarian Leadership*, with the subtitle, "Notes on the Theory, Methods, and Practice of Freedom" (Foundation for Economic Education, Irvington-on-Hudson, New York, 1962. $2.00).

The Elements of Libertarian Leadership is intended to furnish a method and a guide toward "propagandizing" free market ideas. It is perhaps the most unexpected and most unlikely book

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on techniques of propaganda ever concocted. The book is a kind of philosophy and rationale for avoiding indoctrination. Low-grade purposes and goals may be served by indoctrination, but not the goal of freedom.

Self-Improvement Comes First

The first lesson for the embryo leader is that he seek to perfect himself rather than others. He who has gained a considerable knowledge of freedom will naturally and magnetically draw those seeking a better understanding.

The Libertarian point of view teaches that each individual is an end in himself and is a precious creation of God. A man's individuality must always be respected, and the very condition of individuality is difference or variation. What the Libertarian most abhors is the attempt of authoritarians to make every one of their fellow citizens over into their own image of virtue and righteousness. The Libertarian believes that education has a proper place in the nurture of freedom. But, even here, the chief emphasis is placed on educating the one each of us has the best chance of educating, that is: one's self.

"Why," asks the author, "do so many regard as hopeless the broadening of the single consciousness over which the individual has some control while not even questioning their ability to stretch the consciousness of others over which they have no control at all." (p. 129) The answer, he believes, is as complex as the psychoanalysis of a dictator or the explanation of why so many people dote on playing God. The nation (as well as the world) must be saved by the salvaging of private selves. The Libertarian leader must keep his eye on his own perfection, never on repairing the shortcomings of others.

Freedom has to do with the "becoming," the evolution of the individual human being. "All that retards the development of the human potential is antifreedom. All that advances the individual's wholeness or completeness as a spiritual, moral, and wise human being is freedom in action." (p. 113ff.) Furthermore, the Libertarian cannot use bad means to achieve good ends: "The more destructive the end in view, the more fitting are compulsive means, disintegrative methods; the more creative the end in view, the more antagonistic to a solution are compulsive methods and the more must reliance be placed on attractive, integrative forces." (p. 115) Education, or advancing other people's understanding, cannot utilize the methods for selling soaps,

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drugs, alcohol, tobacco, autos, houses, or the something-for-nothing ideas of current politics. Creative objectives, such as those of education, must resort to methods of "attraction" rather than compulsion. But creative objectives are also in a series of levels. "The higher the level, that is, the more creative, the more must reliance be placed on the power of attraction." (p. 116) *"Freedom is as high in the hierarchy of values as is the emergence of the individual human spirit and must be so evaluated by those who would advance an understanding of it."* (p.117)

Helping Others Help Themselves

If we concede that advancing an understanding of freedom belongs to a high scale of values, the problem for the Libertarian "is nothing less than influencing others to expand their consciousness, to increase their perceptions, to enlarge their cognitive powers." (p. 117ff.) You will note the emphasis here is to help others to expand *their* consciousness, to increase *their* perceptions, to enlarge *their* cognitive powers: *their* powers and not anyone else's. Each individual must do the job for himself; the job of expansion, increase, and enlargement of powers. What matters most is the expansion of consciousness.

At the core, no Libertarian should feel that he knows all the answers to all the problems – or that any group or person has them. The Libertarian trusts in a Divine Wisdom which aims at some good evolutionary end. He trusts in the essential goodness and worth of the individual who must be encouraged to be himself by realizing his own potential most completely. The Libertarian believes that his own championing of the free market ideas and the necessity of spontaneous individual action, individual choice, and individual decision is most worthwhile and necessary; but he is willing to permit spontaneous choice and decision to operate even if the choice should go against him.

Now if one agrees that the Libertarian can best influence others by serving as an "exemplar," from what source must the expanding individual consciousness which would serve as exemplar derive its new acquisitions regarding truth and freedom? Through revelation, through intuition, and through attunement with Infinite Consciousness, which draws man into its infinite orbit. While there is never any relaxation of the magnetic power of "Infinite Consciousness," it does encounter human resistances such as arrogance, willfulness, know-it-allness. Some among us are less encrusted

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with such obstacles to the magnetic pull of Infinite Consciousness than others. "More susceptible to this force, they experience with relative ease such of its rewards as insights and inspiration." These persons are referred to as "intuitive" or "creative." The Libertarian leader must develop intuitive powers; and yet, "for the most of us the expanding of consciousness, the increasing of perception, the developing of intuitive powers, takes a lot of doing." (p. 120)

The Source of Wisdom

The understanding of freedom, we are then led to believe, is of the same high level of quality, as well as of technique, as the mystic's search for enlightenment from the Source. "First, there is The Source which the individual in the loneliness of his own soul can decide to heed and, to the extent of his ability, harmonize with." (p. 123) The selling or marketing method does not fit the freedom objective because the means would be destructive of the ends. "No," says the author, "the gaining of wisdom or the understanding of freedom is not to be imposed by man upon man, nor can it be. It is not marketed or sold." (p. 124) Whatever the Libertarian scholar has made his own is distinguished by its attracting quality. Truth is inherently attractive, regardless of where it exists on our earth level or in Infinite Consciousness. "The power of attraction is not outgoing but ingathering. It draws to itself whatever is susceptible to its force. That is at once its merit and its limitation." (p. 125)

The Libertarian must "everlastingly concentrate on getting the ideas, making them available to those who seek, and let it go at that." But note again that the ideas are made available to those who *seek*. The initial response for the ideas must come from those seeking enlightenment. Those who need, want, and are ready for Libertarian teachings will seek them out, as well as be drawn to them magnetically, so to speak. "Ideas have a built-in communication system of their own, which works very well unless short-circuited by offensive methods of propagandizing for them." The concept of keeping the Libertarian philosophy secret unless others ask for it, is an important safeguard against aggressive or obtrusive behavior.

The paradox is this: "Secrets are rarely kept, and ideas whose time has come can never be contained." Furthermore, "Ideas on liberty cannot be kept secret; we'll tell about them or burst. But we can hold in reserve the ideas we possess until other minds invite

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them in, invitations that are certain to come if the ideas be worthy." Only the seeker for truth and freedom can know when he is ready to sample what Libertarians champion. But they hold themselves in readiness. This is reminiscent of Milton's line: "They also serve who only stand and wait."

Five Booby Traps

In the first chapter of *Libertarian Leadership* are listed five erroneous approaches toward the objective of freedom which Libertarians must avoid:

1. The belief that freedom can be obtained by uncovering card-carrying communists. This position seems to hold that our ills originate in Moscow. But communism originates as much in the minds of the American people as in any other and is a world-wide phenomenon.

2. There are those who believe that loss of freedom stems from what is called "the ignorant masses" and that the solution is simply to teach the man in the street that there is no such thing as "free lunch or some other such simplicity that can be grasped as he passes a bulletin board or drowsily reads baby-talk literature in a barber chair."

3. There is a considerable number who would offer political action as their highest bid for freedom. Organize "right down to the precinct level" and elect "the right people" to public office. This is futile under present circumstances, as if freedom could be had by activating the present absence of understanding, so as to shift existing ignorance into high gear!

4. Another group believe that the price of freedom need not be much higher than the cost of beaming radio reports behind the iron curtain, and telling those slave peoples how luxuriously and splendidly we live in our freedom, our gadgetry, and our affluence.

5. Then there are those who feel that a "free world" can be assured if we tax our own people heavily enough to give to foreign governments and thus purchase friendship in exchange for cash. It is as if subsidized relationships were the basis for freedom.

High-Level Goals Cannot Be Attained by Low-Level Means

Man's essential task is self-improvement. The improvement of self, in a very real sense, is not really for the ultimate purpose of selfish-self-improvement so as to shine above others, or to have powers above others. Indeed, self-improvement would be impossible if this were the aim. High-level goals cannot be attained by low-

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level means. The perfection of self is a matter of *perfection for use* – making of one's self a more perfect channel (vessel is the medieval or religious term usually employed) through which the evolutionary purpose of the Creator of men may function.

The leadership problem is not a mass reformation problem. If we had no way of remedying the present socialistic drift except as the "millions come to master the complexities of economic, social, political, and moral philosophy, we would not be warranted in spending a moment of our lives in this undertaking – it would be like expecting the majority of Americans to compose symphonies." (p. 89) It is the nature of politics and political leadership that it can only reflect influential opinion. "There is no way to improve the quality of political leadership except as we lift the level of influential opinion – and this is an educational task."

Above all, implies Mr. Read, the educational methods of Libertarian propaganda should be consistent with the voluntary exchange of the market place. ◈

IDEAS ON LIBERTY ***The Individual Mind***

ACTS AND IDEAS that lead to progress are born out of the womb of the individual mind, not out of the mind of the crowd. The crowd only feels: it has no mind of its own which can plan. The crowd is credulous, it destroys, it consumes, it hates, and it dreams – but it never builds. It is one of the most profound and important of exact psychological truths that man in the mass does not think but only feels. The mob functions only in a world of emotion. The demagogue feeds on mob emotions and his leadership is the leadership of emotion, not the leadership of intellect and progress. Popular desires are no criteria to the real need; they can be determined only by deliberative consideration, by education, by constructive leadership.

HERBERT HOOVER, *American Individualism*

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Think of That!

SOMEWHERE in the works of George Santayana there is a passage about the inherent expansiveness of the universe if only things will get out of the way of each other. "Things," of course, are recalcitrant. But man, the self-starter, is natively endowed with some faculties that enable him to get around things. The problem is to let the kinetic energy released by the self-starters flow into all those interacting creativities that make human society different from the beehive or the anthill, where all things go by rote.

The justification of the free market is that it lets things get out of the way of each other. I don't know whether Santayana ever knew Leonard E. Read, but he could have had him in mind when he was speculating upon the possible expandability of the universe. Leonard Read, as every Foundation for Economic Education *aficionado* knows, takes economics in his stride as a subdivision in the larger study of the individual liberty that enables man to fulfill his supreme purpose in life, which, in Readian terms, is "'to hatch,' to emerge, to evolve." His latest book, *The Free Market and Its Enemy* (Foundation for Economic Education, $1.00 paper, $1.75 cloth), is not economics as our Galbraiths and Hellers know it, a deduction from the manipulation of what might be called macro-statistics. Instead, it is a philosophical inquiry into the nature of the miracle that can bring a Brahms concerto to your bedside by the flick of a switch at three in the morning of a sleepless night. The devotees of macro-economics, or macro-statistics, might be able to tell you how many men are employed by Zenith Radio or whatever in manufacturing the gadgets that bring Brahms to you across ether or atmosphere. But this sort of economist is forever being deflected from a contemplation of the prime source of the Brahms-plus-Zenith-

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Radio phenomenon: the intermeshing of what Leonard Read calls the thousand-and-one individual "think-of-thats" that bring the original composition of a concerto, the original inventions of electronics, the original creation of a manufacturing and marketing organization, and the original predilections and training of a potential customer's taste together to help a sleepless man invite his soul at three o'clock in the morning.

Who Could Have Planned It?

The freedom to be a self-starter had to exist in a bewilderingly complex number of cases to enable a sleepless Leonard Read to substitute Brahms for a nembutal tablet. Who, by whatever magic of "planned parenthood," could have matched the genes to make a Johannes Brahms? Who could have planned the potential genius's musical education? What government bureau could have supplied Edison and Marconi and the early hams of radio, the proprietors of KDKA in Pittsburgh or whoever, with the clues and incentives and materials that have resulted in making Brahms available to anybody for no more than the flick of a switch? The answer is that nobody could have thought all of this out in advance, or even a tenth part of it. It had just to "happen."

Leonard Read's conception of "economic education" is to persuade men to have the courage to say "I don't know." Only the "know-it-all" would presume to "plan" musical satisfaction for all tastes at all times. The "know-it-all" psychosis is what nourishes the socialism which, in Read's definition, "amounts to the frustration of willing exchange by people who are unaware of how little they know."

True enough, the "know-it-all" can get away with his presumptiveness for a while. He can extort billions by taxation to pay for the moon machinery, foreign aid, social security, the razing and rebuilding of defunct downtown areas, the establishment of businesses in the mountain coves of Appalachia. Scientists can be hired to make moon machinery, for, as Mr. Read puts it, "people will as readily sell their ingenuity for a coercively collected dollar as for a voluntarily subscribed dollar."

But there is a hidden toll in all this. When big money is only available for moon machinery, the "think-of-thats" that might have gone into a thousand other lines of endeavor are necessarily aborted. Professors of science who go to Washington become unavailable to their students in Cambridge, Massachusetts, or Berkeley, California. We get an elephantiasis in one direction, a con-

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dition of multiple sclerosis in another. Potential Edisons are, so to speak, lured into spending their lifetimes on electric power when they might be going on into motion pictures. The "think-of-thats" don't ramify: moon machinery precludes terrestrial or undersea machinery to the extent that dollars and time and energy are deflected by force into a single-minded crash program established by the "know-it-all" psychosis.

The Theory to Fit the Practice

We have always, of course, had our "know-it-alls." The desirability of a free market has always been a matter of common-sense observation, but it wasn't until the late eighteenth and the nineteenth centuries that systematic thinkers had the temerity to go up against the "planning" mind in providing a theoretical underpinning for the common sense of the man in the street. Mr. Read honors three men in particular for contributing to his own "economic education." He cites Adam Smith for his "development of the specialization thesis" in 1776, Frederic Bastiat for his "description of what he termed 'an absolute principle': freedom in transactions" in 1840, and Carl Menger for his discovery in 1870 that "the value of a good or service is determined not objectively by cost of production, but subjectively by what others will give in willing exchange." Mr. Read would, presumably, be willing to admit that Jevons in England and John Bates Clark in the United States were codiscoverers with Menger in value theory; he cites Menger much in the way that evolutionists cite Darwin, not the codiscoverer Wallace, when they are passing out the credit for the theory of natural selection in biology. We need symbols when we talk about credits for "think-of-thats," and Mr. Read's symbols are as good as yours or mine just so long as the principles are clear.

No One Knows the Future

The student of liberty, says Mr. Read, must not be trapped by the type of "know-it-all" who demands an "absolute" projection of what might happen if the government, say, were to get out of the post office business. Nobody knows what might happen, for competition in the private mail-carrying business would be open to a myriad of "think-of-thats." All we know for certain is that "voice delivery," by private companies, has improved to the point where it is delivered at the speed of light at any distance on earth, and all at a steadily decreasing cost to the customer. The socialized delivery of the written word, on the

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other hand, is not as good as it used to be, and since 1932 the Post Office has accumulated "an acknowledged deficit of $10 billion." Mr. Read can't guarantee that private delivery of the mail would take any specific turn, but the presumption is that what has been done for voice delivery could also be done for delivery of the written or printed word.

Freedom, in sum, promotes an incomprehensible order – incomprehensible, that is, to those who demand that all things be known in advance. On the other hand, the "planner" actually produces a condition under which the Cuban in Havana is starved for meat and the Chinese in Red China must escape to Hong Kong if he is to hope for his own betterment. They call this state of affairs "order" in Havana and in Peking, but to Leonard Read it is an apt description of chaos. ◈

IDEAS ON LIBERTY

Leonard E. Read

THE ASPIRING LIBERTARIAN, if he has made the first important step in progress, understands that he does not know how to mastermind the life of a single human being. He concedes that there is an order of Creation over and beyond his own mind, that this order works in diverse and wondrous ways through billions of minds and that he should not in any way abort these miracles. This, however, does not make him a know-nothing. Even though, from his experience, he does not know what will happen, he gains a faith that miracles will happen if creative energies be free to flow.

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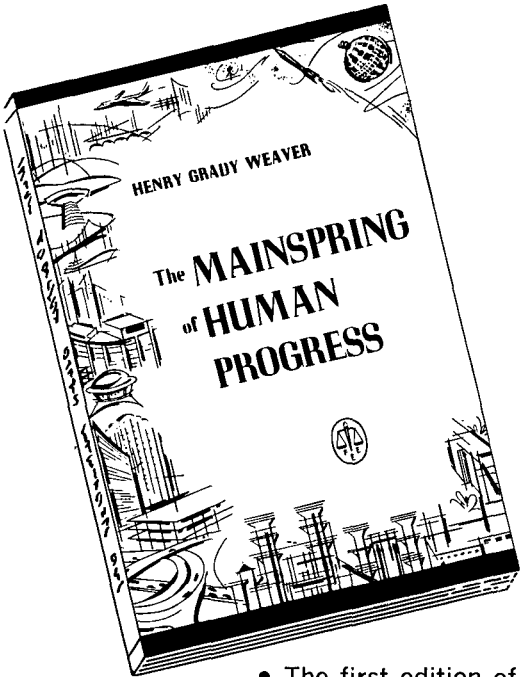

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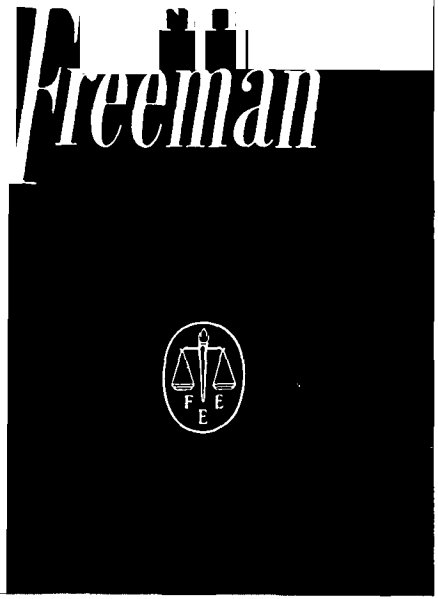

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■ There are persons who constantly clamor against this state of things. They call it aristocracy. They excite the poor to make war upon the rich, while in truth they know not who are either rich or poor. . . .

In a country of unbounded liberty, they clamor against oppression. In a country of perfect equality, they would move heaven and earth against privilege and monopoly. In a country where property is more equally divided than anywhere else, they rend the air with the shouting of agrarian doctrines. In a country where the wages of labor are high beyond all parallel, and where lands are cheap, and the means of living low, they would teach the laborer that he is but an oppressed slave. Sir, what can such men want? What do they mean? They can want nothing, Sir, but to enjoy the fruits of other men's labor.

DANIEL WEBSTER, from a speech in the Senate, March 12, 1838

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